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With New Deployment, U.S. May Be Ready to Attack by February

By Patrick E. Tyler

WASHINGTON — The new U.S. military deployment in the Gulf means that American forces could probably be ready for a full-scale attack against Iraq by February, officials here said.

This gives the trade embargo against Iraq additional time to work, the officials said. Defense Secretary Dick Cheney told reporters at the Pentagon on Thursday that he did not think all the new forces could get to the region any earlier. "The additional military capability that is now being added clearly will give us the ability to conduct offensive military operations should that be required in the months ahead," Mr. Cheney said.

The deployment, a turning point from the United States' defensive posture of the first three months of the crisis to an offensive posture by early next year, calls for a replay

of the huge seafight and airlift that consumed the U.S. military in August, September and part of October.

The deployment will supplement the current total of 230,000 U.S. personnel with about 200,000 additional troops. This force of Americans would be joined by more than 100,000 allied and Arab troops for a total of 530,000 individuals arrayed against President Saddam Hussein's fielded army of 450,000 troops.

Iraqi ground forces are deployed along the Kuwait-Saudi Arabia border and backed by a reserve of 10 armored and mechanized divisions maneuvering between southern Iraq and Kuwait.

Sounding a note of caution about the military task that may lie ahead, General Colin L. Powell, chairman of the Joint Chiefs of Staff, said of the new deployment: "Whether it will be adequate in the event we were going to war

with Saddam Hussein's army, I'm not going to make a judgment right now, and we do not yet have a complete laydown of all the other coalition forces that would be there."

The sheer scale of the new deployment will give the U.S. and Arab alliance most, but perhaps not all, of the combat power military leaders believe is necessary to defeat Iraq in as short a war as possible to minimize casualties.

In briefing reporters at the Pentagon, Mr. Cheney and General Powell touched on the problems they face in preparing for the possibility of war.

Mr. Cheney said that U.S. forces at the moment had a "limited logistical capability" and that command and control arrangements with all the other foreign forces are not fully worked out.

General Powell acknowledged problems feeding 230,000 soldiers a day now and said

he still did not have a clear picture of all the forces that might be fighting alongside the United States.

A senior Pentagon official said Thursday night that Mr. Cheney's and General Powell's remarks "were recognition that the sustainment problems are more daunting than anyone imagined."

The military now has more than 100 cargo ships dedicated to the supply line feeding and provisioning the forces in the Middle East. A new major deployment will add to the strains on that supply line.

Sending new armored divisions from the United States and Germany is a weeks-long process, requiring trains to transport the forces' Abrams M-1A1 main battle tanks, and loading the tanks and other armored vehicles onto ships for the voyage to Saudi ports.

The size of the new deployment also ap-

peared to throw into disarray the rotation plans the army and the Marine Corps were preparing the last month. A Marine Corps official said Mr. Cheney basically took the forces that were being prepared as rotation forces and turned them into reinforcements.

If the rotation plan is scrapped, it could signal a determination by the Bush administration to bring the crisis to a military climax early next year but, in doing so, it may make worse the morale problems associated with deploying troops for open-ended tours in harsh desert conditions.

Several army officials have recently said that they believed much of the early signs of bad morale among U.S. troops would disappear as soon as the Pentagon was able to give them a date for rotation. A senior Pentagon official said Thursday night that Mr. Cheney was still weighing the rotation problem.

Gorbachev Says Efforts By Baghdad Are Doomed

He Urges a UN Decision On Next Step and Asserts Coalition Won't Be Split

By Marc Fisher and David Remnick

WASHINGTON Post Service

BOON — Mikhail S. Gorbachev said Friday that the attempts by the Iraqi leader, Saddam Hussein, to divide international resolve in the Gulf "have failed and will continue to be doomed."

Speaking after he and Chancellor Helmut Kohl of Germany signed a treaty giving the Soviet Union the closest ties it has ever had to a Western nation, the Soviet president called the Gulf crisis a "test" of the post-Cold War world order that has emerged since the Berlin Wall opened a year ago.

At a news conference, Mr. Gorbachev said the nations allied against Iraq have already won a "great victory" by joining together to condemn aggression against Kuwait.

Although the Soviet Union has previously

Crisis in the Gulf

Kaifu wins accord on sending a civilian Japanese contingent to the Gulf.

The UN leader indicates that legal justification for an attack may no longer be valid.

The military supply line is showing signs of strain. Marine generals warned.

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President Mikhail S. Gorbachev, left, speaking at a news conference in Bonn on Friday with Chancellor Helmut Kohl of Germany.

Turning to the Offensive: Projecting a Will for War

By R. W. Apple Jr.

New York Times Service

WASHINGTON — President George Bush is seeking to send an unmistakable message to President Saddam Hussein of Iraq that the United States has the will to go to war; that it will soon have the means to go to war; and that a war, if it comes, would inevitably inflict terrible damage on Iraq.

But Mr. Bush strongly hopes, his aides say, that a further show of strength will constitute such "a very strong signal, another strong signal" about the seriousness of American purpose that Mr. Hussein will pull out of Kuwait and make an offensive withdrawal.

It seemed no accident that the signal came in a week when Syria and Egypt, voicing their willingness to consider offensive military action against Iraq, when the Soviet Union opened the door slightly to that possibility and when Prime Minister Margaret Thatcher of Britain, in a major debate in the House of Commons, delivered this belated message to Mr. Hussein:

"Either he gets out of Kuwait soon, or we and our allies will remove him by force, and he will go down to defeat with all its consequences."

For the first time, Mr. Bush spoke not only of defending against "any further Iraqi aggression," but also of ensuring that the United States and its allies had "an adequate offensive military option should that be necessary to

achieve our common goals." He praised what Mrs. Thatcher had said.

But Mr. Bush did not intend to indicate that war itself was imminent, said senior administration officials and diplomats of countries arrayed with the United States in the coalition against Iraq.

"They said that in the absence of the kind of flagrant provocation Mr. Hussein has so far avoided, like the killing of American hostages, the United States was unlikely to move to oust

NEWS ANALYSIS

Iraqi troops from Kuwait before January or February.

Mr. Bush plans to spend Thanksgiving with U.S. forces in Saudi Arabia, and presidents have usually felt it politic, where possible, to avoid military action with heavy casualties during the December holidays.

"We have been saying for months that we would not exclude offensive action," a U.S. policymaker said. "We have kept that option open. Now we are moving into a new phase, where we assemble the tools to make that option realistic. That, obviously, will take some time."

The announcement that more American

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Iraq's Intransigence Disappoints Moscow, Baker Says

By David Hoffman

Washington Post Service

LONDON — President Mikhail S. Gorbachev is not optimistic about a peaceful settlement of the Gulf crisis and is "disappointed" that two Soviet missions to Iraq have failed to force Saddam Hussein to reverse course, Secretary of State James A. Baker 3d said Friday.

Mr. Baker met for 13 hours with Mr. Gorbachev and the Soviet foreign minister, Eduard A. Shevardnadze, on Thursday.

Describing those talks, Mr. Baker said, "It's fair to say that they are disappointed in the lack of a response that's been received, they're disappointed in the adamant attitude of Saddam Hussein in refusing to comply with 10 United Nations resolutions."

"I think they are as frustrated and as dis-

appointed as most of the rest of the world community," he said.

A senior State Department official said that Mr. Gorbachev felt that Yevgeni M. Primakov, his special envoy in the Gulf, "was basically sufficed" by the Iraqi president.

Describing Mr. Baker's conversations with Mr. Gorbachev, the senior State Department official said "it was to the effect generally that we've seen no evidence on the part of Saddam Hussein to even begin to comply with the United Nations resolutions."

Mr. Gorbachev, the official said, "shares that view."

Regarding Mr. Hussein, the official said: "We know he's unpredictable. And I think that the steps we are taking on this trip to lay the foundation for the use of force, if that becomes necessary — and I would underline

the 'if that becomes necessary' — coupled with the announcement of last night, should send a reasonably clear signal."

"But I don't know whether his antenna will be set in a 'receive' mode or not."

The announcement referred to by the official concerned the U.S. decision to substantially increase its troop strength in the Gulf.

The strongest messages to Mr. Hussein have come from President George Bush and Prime Minister Margaret Thatcher of Britain.

Friday night, after seeing Mr. Baker in London, Mrs. Thatcher threatened war if necessary to reverse Mr. Hussein's aggression.

"The peaceful solution would be for Iraq to get out of Kuwait," she said. "That is a matter for them. We hope they will do it. If they do not, we shall have to take the military

option and see that Iraq does leave Kuwait."

Mrs. Thatcher, asked if Britain would support a United Nations Security Council resolution authorizing the use of force, said she believed the allied nations already had sufficient legal authority to act under the UN Charter.

Mrs. Thatcher and Mr. Baker also discussed sending a resupply mission to relieve the besieged American and British embassies in Kuwait, officials said.

Mr. Baker said he was confident that most of the allied forces in the multinational deployment on the Arabian peninsula would fight alongside Americans should the conflict turn to war.

"I have a sense that most of the countries in

See BAKER, Page 5

GIs in Europe: Half Go to Gulf

The Associated Press

WASHINGTON — Half of all American land forces in Europe are being sent to the Gulf, Defense Secretary Dick Cheney said Friday.

About 200,000 U.S. Army troops are stationed in Europe, most in Germany. The administration is "transferring approximately half the forces now deployed in Europe to the Persian Gulf," Mr. Cheney told the Conservative Leadership Conference.

The scale of the additional U.S. troop deployments is huge. Once the added forces are in place — some 200,000 in all — the United States will have about 430,000 soldiers, airmen and sailors in the Gulf region, more than it had in Europe during the Cold War.

About one-third of the U.S. Army's worldwide force will be in the Saudi desert. "The additional increment will give us the capacity to undertake offensive action should that become necessary," Mr. Cheney said.

Mr. Cheney said that by taking over Kuwait, Iraq had gained control of one-fifth of the world's known oil reserves, and that its stake would have been far higher if Mr. Hussein had captured the Saudi oilfields, too.

"That's not just marketplace clout," he said, "it's a strategic and political sledgehammer. There is no way the civilized world is about to give Saddam Hussein that kind of power over the very lifeline of the world's economy."

The Reinforcements Mean Added Fighting Choices

By John M. Broder

Los Angeles Times Service

WASHINGTON — The decision to roughly double the U.S. deployment in the Gulf allows for a range of offensive strategies on multiple fronts that would have been impossible with the current 230,000 U.S. troops, military officials said.

The move represents an acknowledgment that Iraq cannot be defeated by air power alone, and that large numbers of tanks, artillery, infantry and Marines will be required to break through Iraqi defenses if a war is started.

Military commanders in Saudi Arabia told Secretary of Defense Dick Cheney and General Colin L. Powell, chairman of the Joint Chiefs of

Staff, that although they could adequately defend Saudi Arabia with the current force, they would need a huge increase in ground, air and naval forces to confidently launch an attack on the 450,000 Iraqi troops deployed in Kuwait and southern Iraq.

General H. Norman Schwarzkopf, the senior U.S. commander in Saudi Arabia, told General Powell two weeks ago that in order to minimize U.S. casualties he wanted "overwhelming force" before contemplating an attack on the Iraqi Army, military officials said.

In fact, senior military officials in Washington said, General Schwarzkopf had warned that the current allied force could be defeated or

suffer unacceptable losses if it were to stage an attack without substantial reinforcements.

Mr. Cheney said the additional troops, including four and one-third new divisions of ground troops and Marines, "clearly will give us the ability to conduct offensive military operations."

The addition of three aircraft carriers and another battleship strike force will permit the United States to wage continuous air operations and shore bombardment, naval officials said.

"This force now has incredible offensive punch," a senior army officer said. "It's fast, it's well equipped, it's well led. It has the capacity

to punch through Iraqi defenses and bypass and cut off Iraqi forces in short order.

"There's no question: Once this force is assembled, it is going to be up to the task."

Mr. Cheney and General Powell did not rule out the sending of even more forces once the new deployment is complete, sometime in January. He also said additional air force units would most likely be sent to bolster the 450 combat aircraft now in the region, although he did not announce any new deployments.

"We've never put an upper ceiling on the deployment," Mr. Cheney said. "We're not

See ATTACK, Page 4

Socialist Is Named to Lead India

By Steve Coll

Washington Post Service

NEW DELHI — A veteran Socialist, Chandra Shekhar, was chosen on Friday to become India's next prime minister, which paves the way for a second successive minority government at a time of deepening religious, social and economic crises on the subcontinent.

President Ramaswamy Venkataraman said he had selected Mr. Shekhar, an openly ambitious career politician who leads a parliamentary faction of about 56 in a 544-member house, because it would "not be in the national interest to plunge the country into a general election at this time."

After the collapse of Prime Minister Vishwanath Pratap Singh's minority government this week amid unrest, most sitting politicians said they opposed fresh elections because they might make worse the recent violence, which has claimed more than 300 lives.

Mr. Shekhar is to be sworn in Saturday and must prove his majority in Parliament by Nov. 20.



Chandra Shekhar inherits growing religious and economic woes.

Mr. Shekhar is widely seen as a holding maneuver. It allows the Congress Party to prepare for a new election whenever Mr. Gandhi feels the time is right.

See INDIA, Page 5

Eastern Europe a Year Later

After Euphoria, Letdowns

By Serge Schmemmann

New York Times Service

PRAGUE — A group of Czechoslovak students, veterans of the demonstrations a year ago that brought down the Communist government, issued a statement recently urging that the anniversary not be marked this year, because "we don't want former Communist officials coming out cheering and laughing in our faces."

Complaining that the hopes and expectations of the student-led protests of a year ago had become mixed in half-measures and disputes, and that old bureaucrats still held sway throughout the government, they declared: "There's no reason to call our revolution a 'velvet' one."

However profound and indelible the changes that have swept their nation and the rest of Eastern Europe, theirs was a disappointment and disillusionment that could be felt to varying degrees from the rusty shipyards of Gdansk in Poland to the fre-

quently darkened streets of Timisoara in Romania.

All through the region, newly liberated people face recession, unemployment and insecurity. Obsolete industries crumble on exposure to free markets; energy shortages loom with the shrinking of Soviet supplies and the crisis in the Persian Gulf, and Western investments are slow in coming.

It is arguable that the extraordinary pace set last fall could not have been sustained and that the revolutions could not be completed without a heavy price.

To anyone returning to the Czechoslovak capital or to any of the Eastern European countries a year after the last of them broke with Soviet-imposed governments, it is also evident that history has known few shifts as dramatic and swift as the disintegration of Communist rule in Eastern Europe.

Free elections have been held at least once in every country of Eastern Europe. Reformers, former dissidents or elected politi-

cians have taken over all the citadels of fallen tyrants. Free newspapers — like Lidove Noviny, the influential Prague daily in which the Czechoslovak students published their statement — have sprouted.

Borders have opened, public debate has flourished and all across the land Soviet occupation troops have begun a humiliating homeward trek, peddling uniforms and shedding discipline as they go.

Despite the grumbling of the students, the "revolutions" of last fall — the wave of mass protests that pushed out faltering governments — stand as proud national myths.

Nonetheless, as hardships mount, so does social unrest, whether it is Budapest taxi drivers blocking the city to protest fuel price increases, protesters marching through Bucharest and refugees and black marketeers preparing to swarm to the West. Ancient ethnic rivalries, held in check under Communist "in-

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Kiosk

3 Ex-Contras Killed in Attack

MANAGUA (AP) — Former contra rebels attacked a police installation Friday, leaving 3 guerrillas dead and 35 people wounded, an Interior Ministry spokesman said.

The spokesman said that nine of the wounded were at a police substation about 305 kilometers (190 miles) southeast of Managua, and added that all other casualties were rebels.

The attack followed a week of protests over the economic policies of President Violeta Barrios de Chamorro. Former leftist rebels are demanding that she keep her promise to provide resettlement aid to demobilized contras who waged a nearly 10-year guerrilla war.

General News

Ireland elected its first female president.

Manila retreated from its vow to take control of Clark Air Base by September.

A survivor of Chinese tyranny sees a grim future for Hong Kong.

Art

Many Tokyo department stores play a powerful role in Japan's art market.

Business/Finance

U.S. producer prices rose 1.1 percent in October.

Japan's finance minister distanced his country from a plan to defend the dollar.

The Dollar

The Dollar in New York
Dollars: 1.4971
Pounds: 1.966
Yen: 129.81
FF: 4.994

Crossword

Weather

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MONEY

Fighting the dollar's dive; Paris share warrants; Yachts. Pages 15-17.

Manila Backs Off On Vow to Control Clark by September

By William Branigan
Washington Post Service

MANILA — The Philippines, amid signs of an internal dispute over negotiations on military bases with the United States, appeared to back away on Friday from an earlier vow to assume full control of Clark Air Base by September.

After concluding a second round of talks over the future of six U.S. bases here, spokesmen for the American and Philippine negotiating teams agreed that "progress" had been made in forging a new accord to replace the 1947 Military Bases Agreement between the two countries. But neither official would identify any specific area of agreement.

At a news conference, the Philippine spokesman, Rafael M. Alunan 3d, said, "The Philippine panel is standing by its framework of assuming sovereign control of the military facilities by next year."

But in response to questions about the government's announced intention of taking over Clark Air Base by next Sept. 16, when the current bases agreement expires, Mr. Alunan differentiated for the first time between "sovereign control" and "operational control" of the base, which is 50 miles (80 kilometers) north of Manila.

He suggested that Philippine personnel would not be fully ready to take over the base by then and that Americans would be needed to operate it, under Philippine sovereignty, beyond the expiration date. During an opening round of talks in September, the Philippine side said it wanted "sovereign control" over Clark, which Mr. Alunan defined as "full operational control." The concept alarmed U.S. negotiators, who argue that the United States cannot cede control over operations of its air force.

The two sides said Thursday they had agreed to disregard the existing treaty and put together a new one. Despite positive remarks by both sides on Friday, officials close to the talks said the U.S. panel was beginning to feel frustration over the slow pace of the negotiations and the Philippine side's failure so far to respond specifically to U.S. proposals.

The American team, led by Richard L. Armitage, has proposed a gradual reduction of the nearly century-old U.S. military presence here over 10 to 12 years, followed by continued U.S. access to the bases, possibly on a commercial basis.

Mr. Alunan said the Philippine negotiators welcomed a U.S. proposal Wednesday that all fighter planes based at Clark would be removed by next September, along with about 1,800 American military personnel.

The move, which will reportedly cost a few hundred Philippine workers their jobs at Clark, has rattled the adjacent community of

Angeles, which generally supports the U.S. presence on economic grounds.

Nearly 80,000 Filipinos are employed at Clark and Subic Bay Naval Base, which are estimated to pump about \$1 billion a year into the Philippine economy. About 16,000 U.S. servicemen are stationed at the two bases.

On Tuesday, the vice chairman of the Philippine negotiating team, Health Secretary Alfredo Bengzon, raised a furor by publicly complaining that the panel was coming under "pressure" from government economic managers and the Philippine military to agree to retain the U.S. bases.

Mr. Bengzon, an opponent of the bases, identified the officials as the finance secretary, Jesus Estanislao; the Central Bank governor, Jose Quinsia Jr.; and the armed forces chief of staff, General Renato de Villa, and he suggested that their opinions reflected the view of Washington.

Mr. Bengzon said the economic managers feared that getting rid of the bases would badly cripple the economy. Officials close to the talks said Mr. Bengzon's remarks apparently revealed a split within the government.



A GRIM 'DOWN PAYMENT' IN NEW YORK — Mayor David N. Dinkins announcing austerity measures. In what he called a "down payment" toward the health of the city budget, he announced plans to put off hiring for about 5,000 new jobs, and to lay off at least 556 workers in schools, parks and hospitals. He said perhaps as many as 10,000 more layoffs might be necessary.

AMERICAN TOPICS

General, Dismissed, Has Yet to Retire

Over some senators' objections, President George Bush has extended the service of the former air force chief of staff, General Michael J. Dugan, who was dismissed on Sept. 17 after he publicly discussed contingency plans for waging war against Iraq. The New York Times reports. The move will increase the general's pension by more than \$17,000 yearly.

General Dugan was dismissed by Defense Secretary Dick Cheney after saying in newspaper interviews that the Joint Chiefs of Staff had decided that the way to drive Iraq out of Kuwait was to bomb Baghdad and "decapitate" the Iraqi leadership.

Now, at President Bush's behest, General Dugan, 53, will remain on active duty, as a special assistant to Air Force Secretary Donald F. Rice, until Jan. 1, when the salary for four-star generals increases to \$101,200 from \$78,200. Since pensions are based on 75 percent of base salary, General Dugan's pension will increase to \$75,900 a year.

"It would be a mistake and sets a bad precedent," said Senator Sam Nunn, Democrat of Georgia and chairman of the Armed Services Committee. Sen-

ator John W. Warner of Virginia, the ranking Republican on the committee, also opposed the move.

The decision has caused a minor dispute between those at the Pentagon who say General Dugan was punished too severely and dozens of senior officers who must retire before the New Year, missing a major windfall.

Short Takes

The "killer bees" that crossed the Texas-Mexico border last month should be able to live year-round in more than half the 48 contiguous states, according to new studies that greatly expand previous estimates on the Africanized bees' range. The Washington Post reports. Colonies of the unusually aggressive bees could live through the winter as far north as southern New York, Pennsylvania, Ohio, Illinois, Missouri and Nebraska. They could also colonize parts of Colorado, Utah, Nevada and Idaho, as well as all of California and Oregon and most of Washington state. Researchers found that the bees were relatively hardy, able to survive 120 consecutive days in temperatures below 40 degrees Fahrenheit (4.4 centigrade).

Several prominent colleges and universities are under investigation by the Antitrust Division of the U.S. Justice Department for collusion in setting tuition rates and faculty salaries. James F. Rill, the antitrust chief, says: "Even though the institution it-

self might not be profit-making in the sense of paying dividends to its shareholders, the public still has a right to expect the institution and its competitors to compete in the marketplace and provide the benefits of competition to those who do business with it."

The writer Luke Salisbury, in his book "The Answer Is Baseball," discussing Babe Ruth: "Jack Kerouac once said, 'Not even the biggest fighter, the biggest drunk, or the biggest lover can ever find the center of Saturday night in America.' Kerouac never met the Babe."

An explosion at Mount St. Helens in Washington state sent up a plume of ash 30,000 feet (9,000 meters). No damage was reported, nor was the steam likely to melt enough snow to cause much flooding. Chris Jonietz-Trisler, a seismologist at the University of Washington, said the explosion was "very minor, minor, minor" compared with the one on May 18, 1980, that leveled 230 square miles (600 square kilometers), left 57 people dead or missing and sent an ash cloud around the globe. Unlike an eruption, an explosion does not spew lava.

The champion bowler Don Carter says: "One of the advantages of bowling over golf is that you very seldom lose a bowling ball."

Arthur Higbee

Kahane Suspect Took Anti-Depressant Criticized for Stirring Violence

By John Kifner
New York Times Service

NEW YORK — The man accused of killing Rabbi Meir Kahane was under psychiatric care and taking drugs for treatment of depression, according to law enforcement officials.

An official identified one of the drugs as Prozac, a widely used drug for depression that is the subject of mounting reports that it may actually spark violent or suicidal behavior in some patients.

"We are told by family members he was taking a prescription drug for or consistent with depression," Chief of Detectives Joseph R. Borrelli said of the suspect, El Sayyid A. Nosair, 34.

The official who said Mr. Nosair was taking Prozac also said he was taking "three or four" kinds of medicine, but declined to name the others.

Mr. Nosair, an Egyptian-born immigrant devoted to Muslim religious practices, is charged with kill-

ing Mr. Kahane, the founder of the Jewish Defense League. Mr. Kahane went on to become a power on the far-right fringes of Israeli politics until his party, the Kach Party, was banned as racist for his anti-Arab stance.

[In Israel, the police were questioning the great-grandson of Leon Trotsky, the Russian revolutionary, and two other followers of Mr. Kahane as suspects in the revenge killing of two elderly Arabs, The Associated Press reported. The Trotsky

great-grandson is an Israeli citizen.]

Mr. Nosair appeared to have become increasingly depressed recently, investigators said.

Prozac, which was once hailed as the "wonder drug of the '90s" and became the most widely prescribed drug for depression, has come under increasing criticism.

Its manufacturers are facing many lawsuits charging that patients became far despairing than they had ever been before, committing acts of self-mutilation, at-

tempting suicide or developing homicidal tendencies.

An article published in February in the American Journal of Psychiatry by Dr. Martin H. Teicher and his colleagues at Harvard Medical School and McLean Hospital predicted that up to 8 percent of Prozac users may be at risk for mania, obsession with suicide and dangerously violent behavior.

Nevertheless, many psychiatrists continue to use Prozac, saying they doubt it poses a risk of violent behavior.

Mr. Nosair also may have been suffering lingering effects of an industrial accident he suffered in 1986, in which an electrical shock left him with a large burn mark on his left hand and difficulty in using his left leg.

Last week he took all five days off from his job as an air conditioner repairman for the city, said John S. Beckman, a spokesman for the city's Department of General Services. Mr. Nosair was treated at the New Jersey Neurological Institute.

"He was in a depressed state," Mr. Borrelli said.

Detectives speculated that one factor in Mr. Nosair's outlook may have been that, although he graduated with an engineering degree from Hilwan University in Egypt, he had not found work commensurate with that status.

"The impression we're getting is that he had menial jobs here," Mr. Borrelli said. "He couldn't fulfill his potential. He had a serious accident at work that crippled up his legs. He didn't see any future."

Malcolm Rice, Mr. Nosair's supervisor, said that he read foreign news every day, closely following events in the Middle East. At his home, Mr. Nosair maintained files of newspaper and magazine stories about the Middle East, many with notations in Arabic, a law-enforcement official said.

The police, meanwhile, said they had been able to raise the serial numbers of the Ruger 357-magnum revolver used in the shooting, which had been filed off.

3 Followers Questioned

Israeli police said Friday that they are questioning three followers of Mr. Kahane in connection with the killings of two elderly Palestinians. The Associated Press reported from Jerusalem.

The three included David Axelrod, 29, a great-grandson of Trotsky who has become a prominent activist in Mr. Kahane's Kach Party since emigrating from the Soviet Union, Israeli radio said. The two others were identified as Benzion Gotsman and David Cohen.

The army and police, meanwhile, blocked Palestinians from the Israeli-occupied West Bank and Gaza Strip from going to Jerusalem for Friday noon prayers at the Al Aqsa mosque.

Mr. Kahane's followers have sworn to avenge his death, and newspaper reports said one target was Muslims worshipping at the mosque during Friday prayers.

Police also feared fresh Muslim protests over the Oct. 8 killings in which 17 Palestinians were shot to death by the police near Al Aqsa.

At Nixon Library, Still Gaps in Watergate Tapes

By Seth Mydans
New York Times Service

LOS ANGELES — The newly opened presidential library of Richard M. Nixon has postponed making available to visitors two crucial Watergate tapes.

Instead, the director said, the museum is spending its money acquiring 23 oil paintings by Dwight D. Eisenhower had expended a display of gowns worn by Mr. Nixon's wife, Pat.

The director, John Taylor, said a tight budget and his sense of the importance of Mr. Nixon's life, rather than any intention to obscure the Watergate record, had influenced the decision to provide access to only one of three tapes that were to have been made available for listening.

"The tapes will be there eventually," Mr. Taylor said. "There are a lot of things I want to do eventually, but I have got to enforce some discipline in what we spend on what, when. I have got to ask myself what is more important."

The library is financed entirely

through private contributions, most from Nixon admirers.

Some scholars reacted with skepticism at what they described as a further attempt by the former president to manipulate and cover up negative episodes in his career.

"So it still goes on the way it was," said James David Barber, a professor of political science at Duke University in Durham, North Carolina, which had once been considered as a site for the library. "There is a real question about censoring out these things and trying to build a shrine rather than a library."

Of the two Watergate tapes, Mr. Taylor said: "I could have just spent \$12,000 or \$15,000 and gotten them in. But you've got to ask yourself what is more important."

"We are bringing in 23 oil paintings by General Eisenhower for exhibit beginning the week before Thanksgiving," he said, "and we are going to rethink the approach for Mrs. Nixon's area. We are going to move and expand the display of gowns."

The Watergate exhibit at the Richard Nixon Library and Birthplace in Yorba Linda, 30 miles (48 kilometers) southeast of Los Angeles, now includes a portion of one Watergate tape, the "smoking gun" tape of June 23, 1972, in which Mr. Nixon agreed to ask the CIA to block an investigation by the FBI into the break-in at the Democratic National Committee headquarters in the Watergate complex, which had taken place less than a week earlier.

Mr. Taylor said that an edited tape of that conversation could now be heard in three places, two of which had been intended for the audio presentation of the other two tapes, and that "our visitors seem quite interested in it."

The Watergate display also includes a wall of photographs along with text that accuses Mr. Nixon's critics of bias.

The two other tapes, which had been scheduled for installation in September, are the tape of March 21, 1973, in which the White House

Nepal Acts To Restore Democracy

Compiled by Our Staff From Dispatches

KATMANDU, Nepal — King Birendra, whose grip on absolute power in Nepal was shaken by an uprising for democracy earlier this year, proclaimed a new constitution on Friday that restores multiparty democracy under a constitutional monarchy.

The new constitution abolishes the system under which political parties were banned and the king ruled with a nonpartisan legislature that routinely approved measures favored by the monarch.

"From now onwards there shall never be a one-man rule in this country," said Prime Minister Krishna Prasad Bhattarai, who had been a dissident. He said general elections under the new constitution would be held in April or May.

About 10,000 people turned out to celebrate in Katmandu, the capital, where at least 50 people were killed in April during a march on the royal palace by demonstrators.

The draft of a proposed constitution was completed two months ago, but enactment became bogged down in a struggle between the monarchy and Mr. Bhattarai's fledgling government over how much power the king should retain.

Mr. Bhattarai said the king agreed to act as a constitutional monarch, similar to the arrangement in Britain, with only an advisory role in the government.

A key clause in the document requires the king "to obey and protect" the constitution. Under the old regime, the king was regarded as above the constitution.

The new constitution provides for a two-chamber legislature, with more powers to the 205-member lower house, known as the House of Representatives. The upper house, or National Council, is to have 60 members, some of whom will be royal nominees.

The king remains the supreme commander of the army, but only in name. A three-member National Security Council headed by the prime minister will have actual command over the military.

The constitution guarantees the right to equality, freedom of expression and freedom of the press. The death penalty is abolished.

Although Nepal is still officially regarded as a Hindu kingdom, the constitution gives greater freedom to minority Buddhists, Muslims and Christians. (Reuters, AP)

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BEYOND PERFECTION.

THE GULF: As a new deployment begins, generals worry about signs of strain in the supply line

UN Spurs Iraq on Debating U.S. Moves

Compiled by Our Staff From Dispatches

UNITED NATIONS. New York — Firmly rejecting pleas by Iraq, the General Assembly's steering committee blocked Baghdad's attempt on Friday to open debate on the U.S. military buildup in the Gulf.

The Iraqi representative, Adnan Mohammed, told the committee that President George Bush and senior American officials had blown "the horns of war" and had made clear they were ordering additional tens of thousands of troops and weapons to the region for offensive purposes.

"The U.S. administration is leading the world toward a catastrophe and at the same time is committing a horrendous crime against mankind, a crime that will not be forgiven by history," he said.

After hearing objections to the Iraq request by 10 speakers, the 29 members of the committee ap-

proved without a vote a Canadian motion to take no action.

Iraq, repeatedly condemned by the 15 nations of the Security Council for its invasion of Kuwait on Aug. 2, sought to focus the attention of the 159 nations of the General Assembly on the U.S. land, air and sea forces sent to the Gulf.

It proposed the inscription of a new item on the General Assembly agenda titled, "United States Military Concentrations in the Arabian Gulf Region: Threats to Arab and International Peace and Security."

Although the Security Council has repeatedly met since the invasion, the General Assembly session that opened Sept. 18 has not formally dealt with the crisis.

Kuwait's chief delegate, Mohammed Abulhasan, said his country and others had called on Islamic, Arab and friendly forces to assist them and "to put an end to the law of the jungle."

The chief U.S. delegate, Thomas R. Pickering, said his country was normally liberal about the inscription of new items on the General Assembly agenda but added:

"On very rare occasions there are requests so improper, so ill-founded, so mendacious and so tendentious that it is simply impossible to recommend that the General Assembly deal with them. The item requested by Iraq is such a case."

In Baghdad, meanwhile, the Iraqi foreign minister, Tariq Aziz, asked his reaction to President George Bush's decision to send more troops to the Gulf, replied: "It is not helpful — it is not going to help find a solution. Instead of sending more troops he should send diplomats and try to open peace talks with the leaders of the region."

These were among related developments in the Gulf on Friday:

- Warships fired warning shots across the bow of a Sudanese-

flagged cargo ship before it was stopped and boarded in the Red Sea, the U.S. Navy said. A spokesman said the freighter *Undurman* refused challenges after it was intercepted in the northern Red Sea en route to Aden, Jordan.

• William H. Webster, the director of Central Intelligence, held talks in Ankara with Turkish officials about the Gulf. According to newspaper reports, the CIA chief was there to share military intelligence that might be needed in the event of a U.S. military attack.

• Iraq denied it was importing medicines to make chemical or biological weapons. A Foreign Ministry spokesman rejected suggestions at the United Nations that Baghdad was amassing supplies sufficient for 10 years' normal use for its war machine.

• About 200 Western hostages flew from Baghdad to freedom with Willy Brandt, the former West German chancellor. At least 140 of them were Germans. Mr. Brandt had spent four days in Baghdad during which he talked with President Saddam Hussein and other Iraqi officials to win the release of the hostages.

Earlier reports said 170 hostages would be freed, but German Embassy officials said the extra numbers mainly consisted of wives, who had earlier refused to leave their detained husbands, and their children, in addition to a few permitted to leave independently of Mr. Brandt's mission.

One of the Americans freed was Miles Hoffman, 44, who was working in Kuwait with a private company. He was shot in the arm on Sept. 5. The Iraqis said it was an accident, but it reportedly occurred as the Iraqis were searching for foreigners. (Reuters, AP)



Members of the Massachusetts National Guard's 105th Transportation Company on their way to a ceremony on Friday before they were to go to Westover Air Force Base and leave for the Gulf.

Supplies Worry Marines

Generals Also See High Costs in War

By Rick Atkinson

WASHINGTON — The U.S. military supply line in the Gulf is showing signs of strain and stockpiles should be increased before any American offensive is launched against Iraq, three senior Marine Corps generals have warned.

The generals also cautioned in the last week that war in the Gulf would be costlier than many Americans might realize.

Lieutenant General Ernest T. Cook Jr., commander of the Combat Development Command, said in an interview at the Marine Corps base in Quantico, Virginia: "If we have to do anything militarily, it's going to cost American lives. We ought to all be sitting and praying that the sanctions and the diplomatic process win out."

General Alfred M. Gray, the Marine commandant and a member of the Joint Chiefs of Staff, made similar comments in an extemporaneous speech to a group of former Marines in Peekskill, New York, on Nov. 1, hours after returning from an inspection trip to Saudi Arabia. He also sharply criticized the logistics system in the Gulf, according to several persons who heard his remarks.

President George Bush's expansion Thursday of the U.S. military presence in the Gulf will send about 40,000 more Marines to join the 45,000 Marines already deployed in Saudi Arabia and on ships in the region.

The commandant declined to discuss his speech, but the Marine Corps made available General Cook and Major General Matthew P. Canfield, deputy commander for warfighting, both of whom were in Peekskill.

General Gray believes that "we don't have as much there as we ought to have," General Cook said. "We are not as ready as we should be or could be."

The Marines went to the Gulf in August with a two-month stockpile of supplies, General Cook said, but "after 60 days we need help just like everybody else" from the logistical system under General H. Norman Schwarzkopf, commander of U.S. forces in the region.

"We have to make sure that the system that's in effect is going to take care of our needs as well as everybody else's," General Cook said.

Since Operation Desert Shield began in early August, the United States has moved hundreds of millions of tons of supplies to the Gulf. But the intensity and violence of modern warfare mean that stockpiles of ammunition, spare parts and other material would quickly dwindle if combat erupted.

General Gray's concern with supply lines and stockpiles is "not an unusual thing," General Canfield said, and is a common preoccupation of commanders preparing for possible battle.

"Clearly, logistics is the hard part of fighting a war," General Cook said.

Logistics is a concern, he said, because the U.S. military is "stretched farther than we've ever been in our nation's history in terms of trying to sustain a large force in theater."

The Marines and other services are prepared to fight now, General Cook said, "but we can be better."

General Gray wants "to counter an overbearing feeling that we ought to get this thing over in a hurry," General Cook said. "U.S. forces could capture Kuwait City, he added, "but it's not going to be easy. You'll pay a price for it."

General Gray warned last week that Iraq was "formidable" and should not be underestimated.

The general told the group in Peekskill, according to five who were in the audience, "There are four kinds of Marines: those in Saudi Arabia, those going to Saudi Arabia, those who want to go to Saudi Arabia, and those who don't want to go to Saudi Arabia but are going anyway."

This week, the Marines for the first time in this crisis notified about 800 combat reservists that they will be called to active duty. Forebodingly, that announcement, General Gray last week told his audience, which included many reservists, that some would be sent to Camp Lejeune, North Carolina, or Camp Pendleton, California, and "you'll stay there as long as I want you there."

General Cook said that the comment was "sort of a typical General Gray statement," and that the commandant was aware that such decisions were the province of the president and secretary of defense.

The three Marine generals said they are generally pleased with the deployment of U.S. forces in the Gulf and with Marine morale.

Asked about reports that Iraq could flood defensive trenches with burning chemicals or set fire to an oil slick to thwart amphibious landing along the Gulf, General Cook said: "I don't think it's as frightening as it sounds, to be honest. For instance, if somebody dumps oil over the water and lights it, you can always back off and let it burn itself out."

TO OUR READERS IN WASHINGTON

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UN Chief Hints at Illegality of Force

Washington Post Service

UNITED NATIONS. New York — Secretary-General Javier Pérez de Cuellar has indicated that any attempt to take military action against Iraq under Article 51 of the United Nations Charter, as favored by the United States, could face legal difficulties.

Mr. Pérez de Cuellar said that Article 51, which allows for collective self-defense by permitting countries to go to the assistance

of other nations, may not be applicable now — three months after Iraq invaded Kuwait.

He suggested that the article's validity had expired, and that Iraq would have to launch another military attack before it could again apply.

The Bush administration says that Article 51 still offers sufficient authority for a military strike. The United States is seeking support for a Security Council

resolution authorizing the use of force.

But some experts say that Article 51 only allows such action "until the Security Council has taken measures necessary to maintain international peace and security," as the article is worded.

They say the Security Council already has taken such measures — namely, economic sanctions against Iraq and the sending of naval forces to regional waters.

War Chest Keeps Iraq's Economy Afloat

By Glenn Frankel

Washington Post Service

LONDON — Two days before President Saddam Hussein invaded Kuwait, tens of millions of dollars from the Central Bank of Iraq to correspondent banks in the Middle East and Europe requesting that they transfer funds from their Iraqi accounts to the Central Bank of Jordan, according to Arab banking officials.

No one knows for sure how much Iraq collected; estimates range from less than \$100 million to up to \$400 million. But financial analysts say the transfers were part of a feverish scramble by Iraq to gather hard currency, gold and other liquid assets to keep its war machine and its civilian economy functioning in anticipation of international sanctions.

Those sanctions have turned out to be among the most air-tight and comprehensive in modern history, say experts, who add that the Iraqi economy is slowly grinding down.

Yet Iraq continues to function: Western diplomats and journalists in Baghdad say that, as best they can determine by limited monitoring, the shelves of the city's markets remain stocked with food, factories still operate and, most important, the armed forces remain well equipped with weapons and spare parts.

Part of the reason is Mr. Hussein's war chest, which banking sources and analysts estimate at \$2 billion to \$4 billion. That sum comes from Iraq's domestic reserves, from funds gathered before the clampdown and from looting Kuwaiti banks and businesses.

Arab officials say Mr. Hussein has tried several other tactics: laundering money through Jordan, Libya, Lebanon and sympathetic banks in the Gulf, issuing govern-

ment bonds and extorting money from private citizens in Iraq and even pleading for financial help from Yasser Arafat, leader of the Palestine Liberation Organization.

Most experts say these limited funds are not enough. "Basically, it's a question of time," said a Palestinian banker with close ties to Iraq. "If we're talking about the next six months, the Iraqis can manage. But if we're talking about the next 18 months, they can't."

But the money helping to prolong Iraq's survival contribute to growing U.S. impatience. If, as President George Bush has indicated, the impact of sanctions on Iraq is a key factor in his decision on whether to go to war, then Mr. Hussein's war chest has become one element pushing the Gulf crisis toward a military showdown.

Because Iraq is a police state, where secrecy reigns, accurate financial information is virtually impossible to come by. The International Monetary Fund and the World Bank both say they stopped publishing statistics for Iraq a decade ago.

The Middle East rumor market contends Mr. Hussein has \$4 billion in banknotes stashed in basement vaults below the presidential palace, and millions more in Swiss banks, gathered from "commissions." Nonetheless, most analysts

agree that before the invasion of Kuwait, Iraq was broke.

Before his invasion of Iran, President Hussein could boast of \$30 billion in gold and hard currency reserves. By the end of that eight-year war, the reserves were all but gone and Iraq owed a reported \$79 billion abroad.

Although estimates of the liquid assets that the Iraqis seized in Kuwait vary, most agree that the total take — gold from Kuwait's central bank and the private market and foreign currency — was on the order of \$1.2 billion.

The invasion led to sanctions that in effect froze most of Iraq's \$4 billion in foreign holdings and cut off oil exports. The State Department estimates that Iraq has lost 97 percent of its oil-export revenues, \$1.5 billion a month at pre-invasion prices.

All of this has left the Iraqis presumably desperate for cash. Arab bankers say they got some early help from Jordan, which modified letters of credit and provided cash to help Baghdad purchase "dual use" goods such as pipes for gun barrels and missile castings, ball bearings and spare parts. But after suffering severe economic isolation, Jordan is believed to have cut off virtually all financial ties to Iraq, Jordanian of-

ficials publicly deny they ever broke sanctions.

The Arab officials say Baghdad also tried to launder funds through cooperative Arab nations and the PLO, as well as through some friendly banks. But others say the amounts involved were minimal.

They contend that Libya was long on promises but short on delivery. The PLO, itself cut off from its traditional backers in the Gulf and running a \$340 million deficit, was in no position to accede to Mr. Hussein's appeal for help. And so-called friendly Arab banks did not wish to risk criminal sanctions in the West and their reputations by doing business with Baghdad.

Internally, the government has sought to tap into the hidden supply of dinars held by Iraqi citizens, who do not trust state-run banks and have little in the way of consumer goods on which to spend.

But Iraqi dinars cannot pay for smuggling and sanctions-busting operations. That takes gold or hard currency, at prices double the normal market rate, experts say. Even so, with shipping lanes sealed off and most air flights canceled, Iraq is forced to fall back on trucks grinding through the porous borders of neighboring countries. The amount of goods involved is relatively small, according to the experts, and the costs high.

Paris Denies Claim of Hostage Deal

By Joseph Fitchett

International Herald Tribune

PARIS — France dismissed a report in a Baghdad newspaper Friday that the release of Iraqi-held French hostages last month resulted from secret talks with a French emissary.

Several French officials described the assertion in the government-run *Jumhuriya* newspaper as an Iraqi fabrication, apparently timed to coincide with the arrival of Secretary of State James A. Baker 3d in France for talks on joint action against Iraq.

"This claim changes nothing about the facts as France has described them," a Foreign Ministry spokesman said. Foreign Minister Roland Dumas reiterated

ed Thursday that the Paris government had not authorized anyone to negotiate in France's behalf on the hostages.

The French, in their official position, did not contradict Jumhuriya's assertion that 10 days before Baghdad's announcement on the hostages, Foreign Minister Tariq Aziz of Iraq met in Tunis with Claude Cheysson, Mr. Dumas's predecessor as foreign minister.

Arab diplomats confirmed Friday that the meeting took place. They also said that Yasser Arafat, the leader of the Palestine Liberation Organization, informed Mr. Dumas beforehand of Baghdad's intentions.

They said that on Oct. 14, Mr. Arafat traveled from Baghdad to Tunis for a meeting with Mr. Dumas during which he said that President Saddam Hussein of Iraq had promised him to free the French hostages.

At the time, Mr. Aziz explained Baghdad's action as "a unilateral decision" in recognition of France's special efforts to find a diplomatic solution to the crisis.

France insists on the release of all hostages and Iraq's withdrawal from Kuwait as conditions for international consideration of Iraq's grievances.

But Mr. Cheysson, who is a vociferous critic of U.S. and British policy in the crisis with Iraq, has been allowed to seek his own diplomatic channel to Baghdad.

Kaifu Wins Agreement To Deploy Civilians

New York Times Service

TOKYO — Prime Minister Toshiki Kaifu, rebuffed by the opposition on his proposal to send military forces to the Gulf, reached agreement with key opposition groups Friday on a new proposal to send a civilian contingent of Japanese to the region.

The accord means that approval by the Diet, or parliament, is likely, perhaps as early as next month.

The proposal would enable as many as several hundred unarmed medical personnel, technicians and others to engage in nonmilitary activities in support of the effort against Iraq.

The original proposal, put forward in response to American pressure, was to send military forces in a noncombat role. But it drew widespread opposition in Japan, where it was seen as a violation of

the provision in Japan's postwar constitution renouncing the use of force.

In the past, Japanese personnel have taken part in peacekeeping forces in places like Namibia, Afghanistan and Nicaragua, mostly to help care for refugees or to aid with elections.

The new force would mark the first time that a formal legal framework had been established.

"We are pleased because even though the original proposal died, our work was not futile," a Foreign Ministry official said.

The accord on the new contingent was reached between the governing Liberal Democratic Party and two opposition parties, the Clean Government Party and the Democratic Socialist Party, insuring a majority of support in the upper house of the Diet, which is controlled by the opposition.

ATTACK: Added Options

(Continued from page 1)

putting an upper ceiling on the deployment now."

These are among the elements of the new deployments:

- A full army corps from Europe, including two armored divisions and an armored cavalry regiment. A corps comprises roughly 110,000 men, 1,000 tanks and several hundred armored personnel carriers. The Army VII Corps, which is being sent from Germany, will deploy with air assault helicopters, hundreds of artillery pieces and a broad range of support troops and equipment.

- An additional mechanized division from the United States, the 1st Infantry Division from Fort Riley, Kansas. Such a unit will bring about 400 tanks and armored personnel carriers and about 16,500 soldiers.

- Three brigades of Army National Guard combat troops, each comprising about 3,000 men and several hundred tanks and armored vehicles, will be sent to Fort Irwin, California, for training and evaluation before the Pentagon decides whether to dispatch them to the Gulf. Mr. Cheney and General Powell have expressed doubts about their combat readiness, and this deployment will essentially be a test of the military's increasing reliance on the Guard and reserves.

- Three aircraft carrier battle groups, each including a carrier and about seven escort and support ships. There are already three carriers in the region — one in the eastern Mediterranean, one in the Red Sea and one in the Persian Gulf or the northern Arabian Sea. A carrier sails with a crew of 5,500 men and an air wing of about 80 jets, including F-14 fighters, F-18 fighter-bombers and A-6 bombers. The escort ships generally include a guided-missile cruiser and several destroyers or frigates to provide air and submarine defense for the battle group.

- The battleship *Missouri* and its escorts, which will complement the battleship *Wisconsin*, which is now in the region. The World War II vintage battleships are manned by 1,500 sailors and carry cruise mis-

siles, nine 16-inch (410-millimeter) guns and a variety of other weapons for attacking shore targets.

- The 2nd Marine Expeditionary Force from Camp Lejeune, North Carolina, and the 5th Marine Expeditionary Brigade from Camp Pendleton, California — a total of about 60,000 men. The new troops will reinforce the 46,000 Marines already in the theater, bringing the total to 106,000. The figure is more than half the total 197,000-man strength of the Marine Corps.

The United States has been reluctant to acknowledge any consultations with Israel in preparing military action for fear of undermining efforts to maintain a strong Arab coalition against Saddam Hussein.

"I think the whole world knows that the United States has a very special relationship with Israel," he said, "I think we are in close touch with the key players there in terms of our objectives."

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After a meeting in Moscow on Thursday with Mr. Baker, the Soviet foreign minister, Eduard A. Shevardnadze, said "a situation may emerge which effectively would require" the use of force — a considerable departure from an earlier statement that the use of force would be "undesirable."

But Foreign Minister Qian Qichen of China, who met Mr. Baker in Cairo, has not publicly gone nearly that far, and Beijing is reportedly urging Washington to go slow.

Secretary of Defense Dick Cheney said Thursday that no decision had yet been made by Mr. Bush on whether offensive action should be undertaken.

The question will not have to be confronted for some weeks because the last of the tens of thousands of troops and the armor and aircraft needed for an attack will not reach the Gulf until early next year, military analysts said.

Clearly the president hoped to impress Mr. Hussein anew with the depth of the American commitment against him by making public the list of military units to be deployed, something that was not done at the beginning of the initial buildup, which has now reached 230,000.

In his travels, Mr. Baker has been seeking support for a new UN resolution authorizing the use of force to carry out earlier resolutions calling on Iraq to withdraw.

A European cabinet minister, privy to Mr. Baker's discussions,

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EAST: After the Euphoria Over the Downfall of Communism, a Struggle for Democracy

(Continued from page 1)

internationalism," resurface with a vengeance.

And everywhere the refrain is: "We never thought it would go so fast."

To revisit Central Europe a year after is to discover people who have lost not just their chains, but also their security, their illusions and often their bearings.

In Bratislava, capital of the Slovak minority in Czechoslovakia who have unexpectedly raised a cry for independence, an intellectual tries to explain why an ethnic group of 5 million with no outstanding grievance has suddenly become seized with nationalist fervor.

"The Slovaks are a peasant people who have spent most of their history under someone else, mostly Hungarians," said Boris Lazar, a professor of philosophy and member of Public Against Violence, the Slovak citizens' movement associated with President Vaclav Havel's Civic Forum. "They have a deep inferiority complex. The thinking is, if we don't make a pitch for independence now, nobody in the world will know we exist."

At the Romanian-Yugoslav border on the road from Belgrade to Timisoara, Soviet cars are backed up for miles into Romania. Many have trailers and tanks of gasoline lashed to roof racks. Angry drivers confront nervous Yugoslav border guards. "Bring in the army!" shouts a red-eyed, unshaven Russian.

The Yugoslavs watch anxiously while officers talk to representatives of the Russians. Across the border, Romanian border troops are reinforced by soldiers with dogs as tensions rise.

For about two months, Russians had driven across Romania in ever-growing numbers to peddle goods in Yugoslavia — instruments, clothes, fur hats. They would then convert the Yugoslav money into dollars and return with Western goods. The trip was long and difficult. Soviet Customs agents had charged \$100 to \$200 in "duty" on the way out, and drivers brought enough gasoline to make it to Yugoslavia and back.

But without notice on the evening of Nov. 4, Yugoslavs shut its borders to Soviet citizens. "If

they're going to shut the border, they should've let us know before we left the Soviet Union!" an infuriated driver shouted.

The scene is hardly unique. Ever since their borders opened, East Europeans by the millions have flocked West — first to gawk, next to barter, then to work illegally, finally to try to stay.

A year ago, it was the East Germans fleeing through Hungary to West Germany; the West blinked away its tears at the image of people celebrating their newfound freedom. Then swarms of Poles descended on West Berlin, then Czechoslovaks and Hungarians flooded into Vienna, and then Romanians and Bulgarians began a westward trek. Most Western nations have now reinstated restrictions on travel from the East, and, in September, Austria sent troops to patrol its eastern borders.

The real fear among West Europeans is that the first waves of black marketeers and refugees are only the vanguard of a mass westward migration as Eastern societies, and especially the Soviet Union, disintegrate.

In Budapest, everyone talks anxiously about the weekend of Oct. 27-28, when the government abruptly raised fuel prices by 60 percent, taxi drivers virtually blockaded Budapest, some other cities and some border crossings shut the prices were lowered.

The demonstration, supplied a brutal jolt to a country that had become accustomed to the highest standard of living and the most open society in the East, but that, under democracy, had become mired in political bickering that often seemed oblivious to the looming economic crisis.

"The blockade was a traumatic demonstration of a sense of disenfranchisement," said Josef Martin, an editor of Magyar Nemzet. "The question it raised was whether the government was capable of modernizing, of raising prices. We have to modernize, but the question is, can we cope with the social side, the political side? There seems to be no resources left in the tolerance of the people."

There had been signs of frustration before, especially in the shocking moment for each of the six rounds of voting Hungary has had in less than a year. Power thin-

30 percent of registered voters turned out for the recent municipal elections.

By all accounts, the real test is still to come, for Hungary as for its neighbors. As of Jan. 1, the Soviet Union will charge hard currency for its oil, and even then it may not

deputy foreign minister when President Vaclav Havel, a friend, called at 2 A.M. and asked him to become defense minister.

The story is hardly unusual in Prague, where Mr. Havel has been drawn on fellow signers of Charter 77, a human-rights document produced by prominent dissidents in 1977, to staff the new government. Jiri Dienstbier, the foreign minister, was also recently a dissident.

In the majestic Hrad, the castle overlooking Prague that serves as the seat of government, Mr. Havel's press spokesman, Michael Zantowski, still greets visitors tieless and in jeans. Mr. Zantowski, 41, was trained as a psychologist, then worked for two years at the Reuters news agency before heading Mr. Havel's summons to the Hrad.

Overlooking Prague that serves as the seat of government, Mr. Havel's press spokesman, Michael Zantowski, still greets visitors tieless and in jeans. Mr. Zantowski, 41, was trained as a psychologist, then worked for two years at the Reuters news agency before heading Mr. Havel's summons to the Hrad.

"At first, we were all admittedly amateurish," he said of the early days. "There was a dozen of us here, and we couldn't find any help from the people here; most of the time we couldn't find the people. We were inexperienced, understaffed, underequipped, overworked. It's much better now. We no longer have to wonder who'll open the mail."

Still, there is a sense that the people running the newly liberated countries are far from professionals. One consequence is that the new leaders often have been compelled to keep on former Communist managers, sometimes to public disavowal.

"It's important to remember the dimensions," Mr. Zantowski said. "The Communists had 1.7 million members last year, plus another 500,000 to 600,000 members who were expelled in 1968. With families, that's about 5 million out of a total population of 15 million. So it's just not possible to pretend that they don't exist, to screen them out. Besides, we are principally opposed to collective guilt."

Yet throughout the region, the abrupt collapse of Communist governments has left a sense of unfinished business. In societies where thousands of people served the oppressor and tens of thousands informed or otherwise collaborated to survive, feelings of guilt mingle murky with an itch for vengeance.

In Timisoara, where on Dec. 17 security forces opened fire on dem-

onstrators in an incident that catalyzed the fall of Nicolae Ceausescu, people say that neither the identity of those who did the shooting nor even the number of victims has yet become known despite an investigation.

There are indications that much of the old Securitate, Mr. Ceausescu's feared political police, has survived in the new Romanian Information Service. More broadly, the political situation of Romania under President Ion Iliescu — a former reform Communist — is far from settled.

The reluctance to take action against former Communists has not been limited to Romania. In fact, the execution of Mr. Ceausescu and his wife, Elena, last December, and the subsequent trial of their son Nicu, have been among the few measures taken against former leaders anywhere in Eastern Europe.

The only other Communist official to face justice so far has been Miroslav Stepan, the former party chief in Prague. But even he has yet to go to jail.

For now, the young new governments appear wary of undertaking a witch hunt while passions still run high and when the outcome cannot be predicted. In countries where so many were implicated in one degree or another, opening secret-police files to public scrutiny could prove traumatic, even if the new leaders themselves escape being compromised.

"There's pressure for a reckoning, but it's hard to see how this can be accommodated other than in a symbolic way — perhaps some form of collective condemnation, or some sort of moral tribunal," Mr. Zantowski said.

As the troubles deepen, the eyes of Eastern Europe turn increasingly to the West. A widespread faith prevails that the West will never abandon these fledgling democracies after preaching for so long the merits of free enterprise and human rights.

"We will not be able to sustain democratic order without Western countries," said Mr. Martin of Magyar Nemzet. "Without Western aid, people will head West. But thank God, it's in the long-term interest of the West that East Europe should not become a volcano."

BAKER: Moscow Reaction

(Continued from page 1)

the alliance will be with us," he said. "There may be some that may not be for some reason or another."

The senior State Department official was asked about troops from Kuwait, Saudi Arabia, France, Britain, Syria and Egypt.

The official said, "there is absolutely no doubt in my mind that Saudi forces will be committed" along with the other countries "with the possible exception of Syria and the French."

The official added that Mr. Baker would be discussing the issue on Saturday in Paris with President François Mitterrand of France.

France, which has long-standing ties to Iraq and the Middle East, has frequently sought to stake out a position independent from the United States in the current crisis.

The official predicted that Syria might be motivated to fight by long-standing enmity against Mr. Hussein. But Western diplomats have noted a growing ambivalence in Syria about being part of an alliance with the United States.

The official noted that before the alliance could go to war, a political decision would have to be made to do so by national leaders. "That is a political decision at the highest level for all these governments," he said. "I think most of them will be there."

President Bush leaves next week for the 34-nation European summit in Paris — where he will meet with Mr. Gorbachev — and a tour of the Middle East.

GORBACHEV: Iraq Has Failed

(Continued from page 1)

men's most stable economy, feeding and clothing Soviet soldiers, and leading the West in setting the tone of the new relationship with a Soviet Union that is ever more dependent.

Mr. Gorbachev said Friday that Mr. Kohl had shown great interest in "how things are going" in the process of change in the Soviet Union.

The treaty brings the Germans and the Soviets together in a way that goes beyond the ties Moscow has been arranging with other Western countries.

Last month, Mr. Gorbachev signed a treaty of cooperation with France, but the nonaggression portion of that document did not go nearly as far as the German agreement. The German-Soviet pact says that the two countries "will refrain from any threat or use of force which is directed against the territorial integrity or political independence of the other side."

If either country is attacked, the treaty says, the other will not help the aggressor.

France rejected similar language proposed by the Soviets. The French agreement commits the two countries only to contact each other quickly if one nation's security interests are threatened. Some French diplomats, referring to the German-Soviet Rapallo Treaty of 1922, which raised suspicions among the Western allies, have said that the agreement Friday threatens to undermine the Western alliance against the Soviet threat.

Mr. Kohl's negotiators said, however, that they carefully avoided any conflict between Germany's

obligations to the North Atlantic Treaty Organization and its desire to forge a new relationship with the Soviet Union.

There is no new financial aid in the treaty. "Nobody can exclude that given the disastrous situation in the Soviet Union, they will not make further demands of Germany and the West," said a German negotiator. "But we've given them all we're going to give for now. Their credit is not very good, to say the least."

Mr. Kohl's aides said the chancellor spent much of Friday's session with Mr. Gorbachev trying to find out who in the Soviet bureaucracy can be held responsible for the efficient use of German aid.

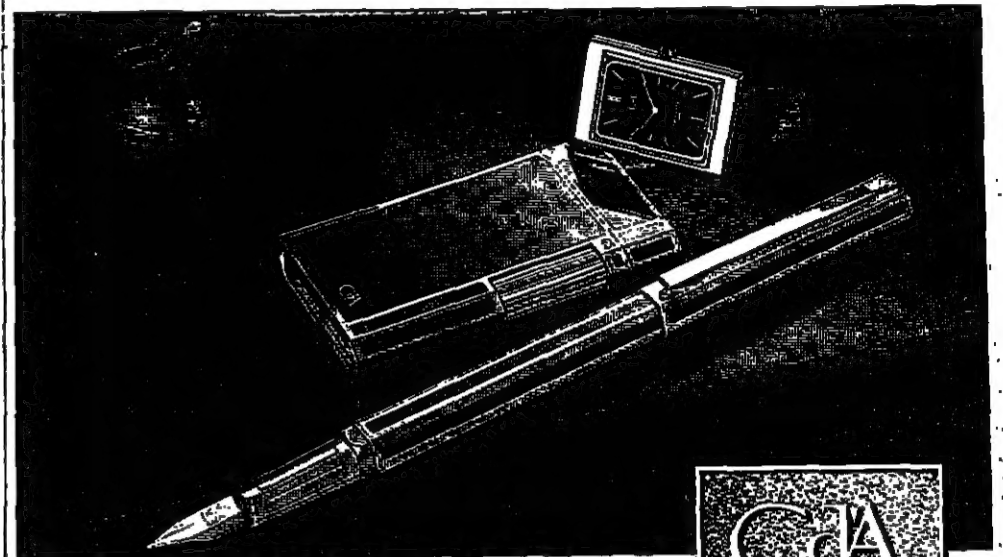
Germans said they made it clear to Mr. Gorbachev that Western banks will not add to their Soviet aid until Moscow's economic changes show some effect.

The Soviet leader noted that the "euphoria" at getting rid of the East German regime "has given a painful, sometimes even anti-Soviet twist to relations" between the two countries.

"I am convinced this is a temporary phenomenon," he said.

The treaty also includes assurances that the Soviets will allow the two million ethnic Germans in the Soviet Union to preserve their language and culture — a step Bonn considers essential to preventing a new and massive wave of immigration as economic and political conditions in the Soviet Union continue to deteriorate.

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INDIA: Shekhar, a Socialist, Is Named Prime Minister Amid Worsening National Problems

(Continued from page 1)

port and force elections in 16 to 18 months.

Mr. Singh, exercising his last opportunity for official access to the state-run broadcasting system, appealed for tolerance in a broadcast address on Friday.

"Religion is the lamp of the soul," he said. "Let it light your way. Do not use it to kindle the flames of hatred. If you do so, the temple of Mother India will be reduced to ashes."

For Mr. Shekhar, 63, an upper-caste landlord's son who has devoted his life to socialist politics but has never held government office, the announcement Friday marked the culmination of a yearlong campaign to replace Mr. Singh, who remains leader of the communist Janata Dal. As Mr. Singh's problems worsened this fall, Mr. Shekhar engineered a split in the party and moved his breakaway faction, called the Janata Dal (Socialist), into position to lead a government.

Mr. Shekhar will inherit a host of problems, including an inflationary economy, violent secessionist movements in three states and heightened caste and Hindu-Muslim tensions.

It is expected that his cabinet will consist mainly of rural landlords, socialists and career politi-

cians with little experience in government. The group will immediately have to tackle a balance-of-payments crisis that drew Mr. Singh's government into negotiations for assistance from the International Monetary Fund.

Foreign exchange reserves have reached a 30-year low; external debt levels have climbed to record heights, and international rating agencies have downgraded the country's creditworthiness for the first time in years.

Inflation has grown in recent months to a 12 percent annual rate, higher than past levels. Price rises have been fueled by a government budget deficit that is three times bigger than the one in the United States, in relative terms.

"Shekhar has put himself into a very awkward position," said A. N. Prabhu, New Delhi bureau chief of the newspaper Economic Times. "We are at the verge of getting into the Mexican-Brazilian model of crisis."

In his past public pronouncements, Mr. Shekhar has blamed many of the country's economic problems on multinational corporations, and he has vowed to make it even more difficult than it is at present for foreign companies to do business in India. But it is not clear whether the new prime minister will have the political strength to

reverse the gradual economic liberalization begun several years ago by Mr. Gandhi and continued by Mr. Singh.

Speaking with reporters Friday, Mr. Shekhar said he would support liberalization of the economy as long as national resources were not allocated to the manufacture of what he called "luxury goods."

In foreign affairs, Mr. Shekhar would appear to face fewer immediate challenges. Border tensions with Pakistan, which were touched off by an uprising in the disputed state of Kashmir, threatened to set off war six months ago but have eased somewhat recently.

Pakistan's recently elected rightist prime minister, Nawaz Sharif, based his campaign partly on a more aggressive posture toward India. But Mr. Sharif has made conciliatory statements directed at India since his election.

Reciprocating in a brief comment on Friday, Mr. Shekhar said he sought the "best possible relations with neighbors."

Political analysts said Indian-Pakistani relations were most likely to remain unchanged for at least a few months. "Both countries have been substantially preoccupied with domestic issues," said Jaijit Singh, director of the Institute for Defense Studies and Analyses in New Delhi.

Among India's political factions, the biggest beneficiary from Mr. Shekhar's ascent would appear to be Mr. Gandhi's party, which was repudiated in a national election 11 months ago and has done little since to improve its standing with voters. Now Congress is well positioned to organize itself for a midterm vote while rebuilding its identity among the electorate as a stable, centrist party.

The biggest immediate losers appear to be Mr. Singh's Janata Dal faction and the Hindu revivalist Bharatiya Janata Party. Both stood to benefit if President Venkataraman had decided to call an election immediately, rather than turning to Mr. Shekhar to lead another minority government.

Athens Bars Votes For Small Parties

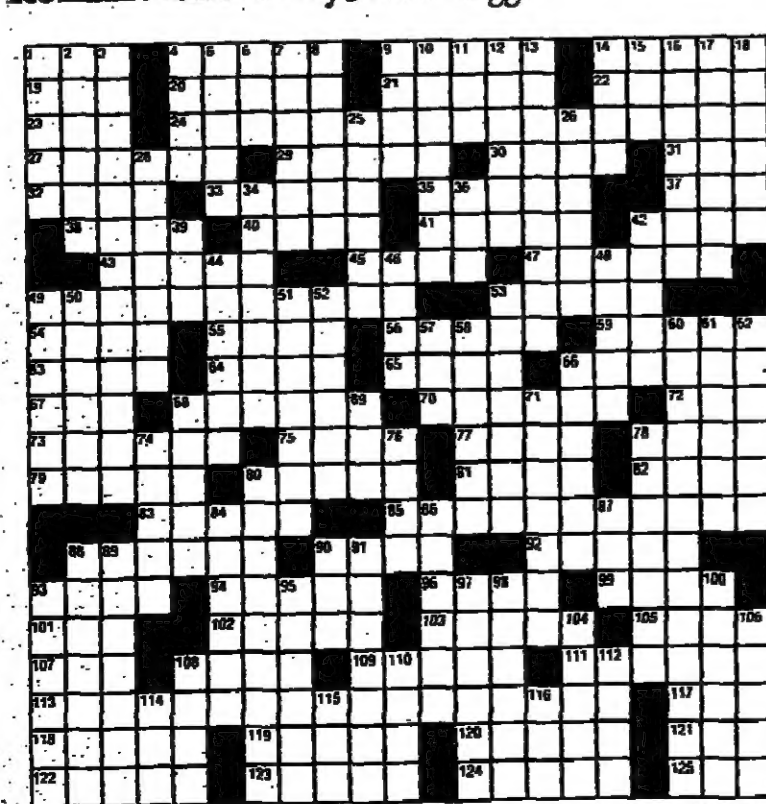
The Associated Press

ATHENS — Parliament approved a law Friday that bars votes for small parties and independents from being elected. The conservative New Democracy party, which holds 151 seats in the 300-member Parliament, proposed the law after winning elections in April.

The new electoral system also allows a single party to win a majority in Parliament with about 43 percent of the vote — it had been 47 percent — while making it harder for a coalition of parties to win elections.

Parties now must secure a minimum of 3 percent of the vote to be represented in Parliament.

Roman Infusion By June A. Boggs



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- ACROSS**
- Radio's "Our Sunday" (4)
 - Honored with entertainment (4)
 - Hamper (4)
 - Douglas Fairbanks Sr. role (4)
 - A land in S.A. (4)
 - Love feast (4)
 - Houston grad (4)
 - Wild blue yonder (4)
 - Gloaming (4)
 - Type of sermon (4)
 - Groom's milieu (4)
 - Beat, in a way (4)
 - Give forth (4)
 - Baudelaire's "Les Fleurs du mal" (4)
 - "B.C." character (4)
 - Prepare (4)
 - Corkers (4)
 - Vehicle in a Monroe film (4)
 - Cupidinous (4)
 - Elmer Gantry's wife (4)
 - "Family Ties" role (4)
 - Spot member (4)
 - Compeer (4)
 - Stem joint (4)
 - Stem (4)
 - Bond foe (4)
 - Lord is indeed (4)
 - Luke 24:34 (4)
 - "Trust" (4)
 - 1934 song (4)
 - Sign-language developer (4)

- Solution to Last Week's Puzzle**
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ART

When the Times Turn Hard, Success Hangs in the Balance

NEW YORK — The round of contemporary art auctions at Sotheby's and Christie's this week demonstrated how crucial balance in a sale can be to its outcome when times get harder.

It takes a minimum number of splendid or important works to generate a certain thrill of excitement among those attending and induce them to try their luck. Add, if possible, the whiff of novelty supplied by pictures long out of the market, and that makes the difference between a relative triumph and a dull defeat.

It was Sotheby's sad lot on Tuesday to experience the latter. With all his talent as America's

SOURIN MELIKIAN

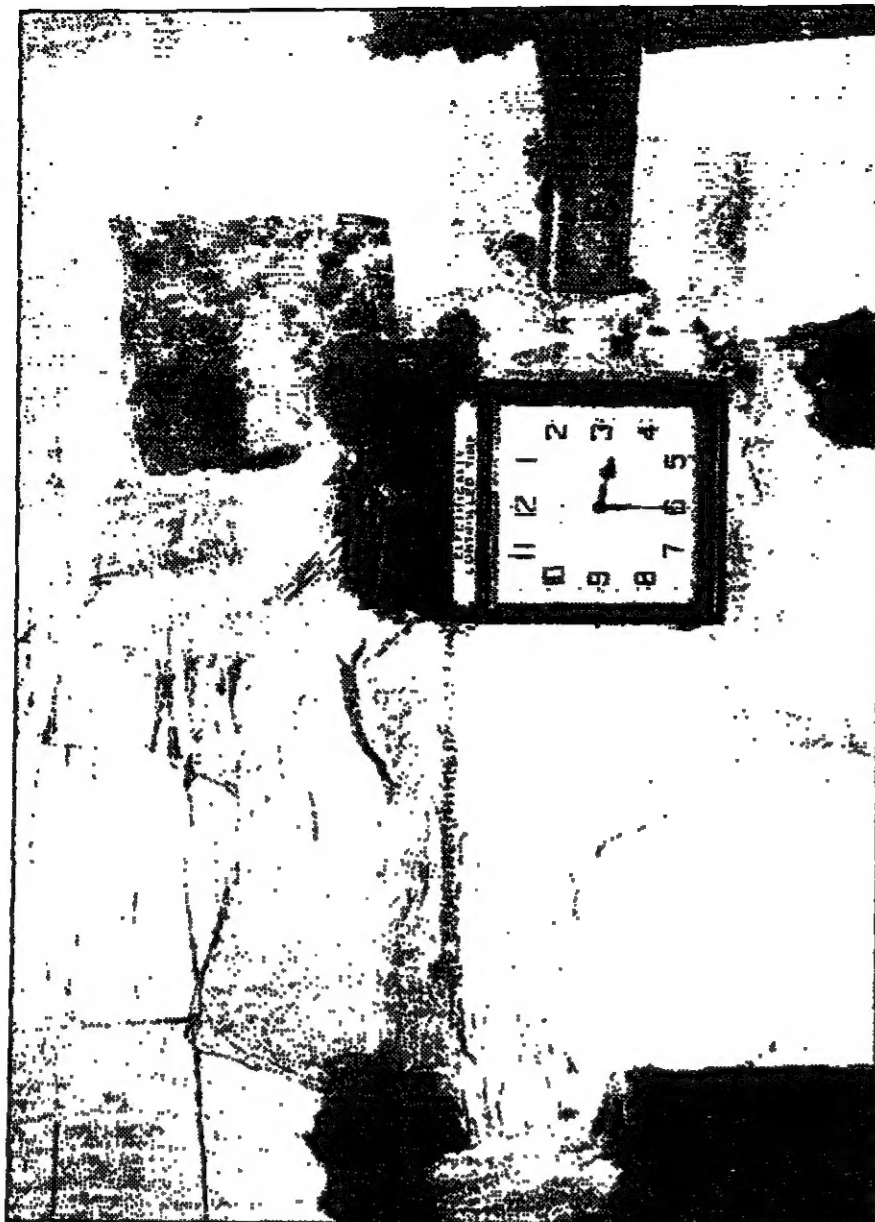
most skilled auctioneer, not even John Marion, who is also president of Sotheby's North America, could make the \$19.8 million sale look good. The 34 works that found a niche, often with difficulty, did not make up for the 43 that were left stranded. Viewing the drab gathering before the auction left very little hope.

Only one work really stood out, by virtue of its historical significance rather than intrinsic merit. This is Robert Rauschenberg's "Third Time Painting." The reason for the cryptic title goes back to an event at the U.S. Embassy in Paris in June 1961 to honor David Tudor. There was a concert; Rauschenberg and others gave their own performance. The artist painted a picture on a canvas set up on an easel that was facing the audience. He called it "First Time Painting." There was a "Second Time Painting" later that year, and, later still, a "Third Time Painting," the last and largest in the series. Rauschenberg inserted a clock into the canvas, pasted a shirt underneath with its sleeves spread out, hung a chain from the clock and fitted in a bit of a broken bottle, a piece of rusty metal and a section of wood sawn off a crate. Like the other two, the combination was dabbed over with paint and dubbed a "combine" painting.

THESE became icons of Pop art. "Third Time Painting" entered the prestigious Harry N. Abrams family collection. It was seen in the Rauschenberg exhibition at the Jewish Museum in New York in 1963 and received due prominence in Andrew Forge's book, "Rauschenberg." It appeared in the Metropolitan Museum retrospective "New York: Painting and Sculpture, 1940-1970."

Yet on Tuesday, the Rauschenberg nearly failed as Marion called out, "2.5 million," for the unimpeachable time and urged, "Now, say 8" — meaning 2.8 million. Finally, someone obliged, making it a \$3.08 million painting. Unfortunately, this happened two thirds down the sale, not was it much of a success. The \$4.4 million to \$5.5 million estimate, with premium, pointed to higher ambitions.

At the beginning, it almost looked as if Mar-



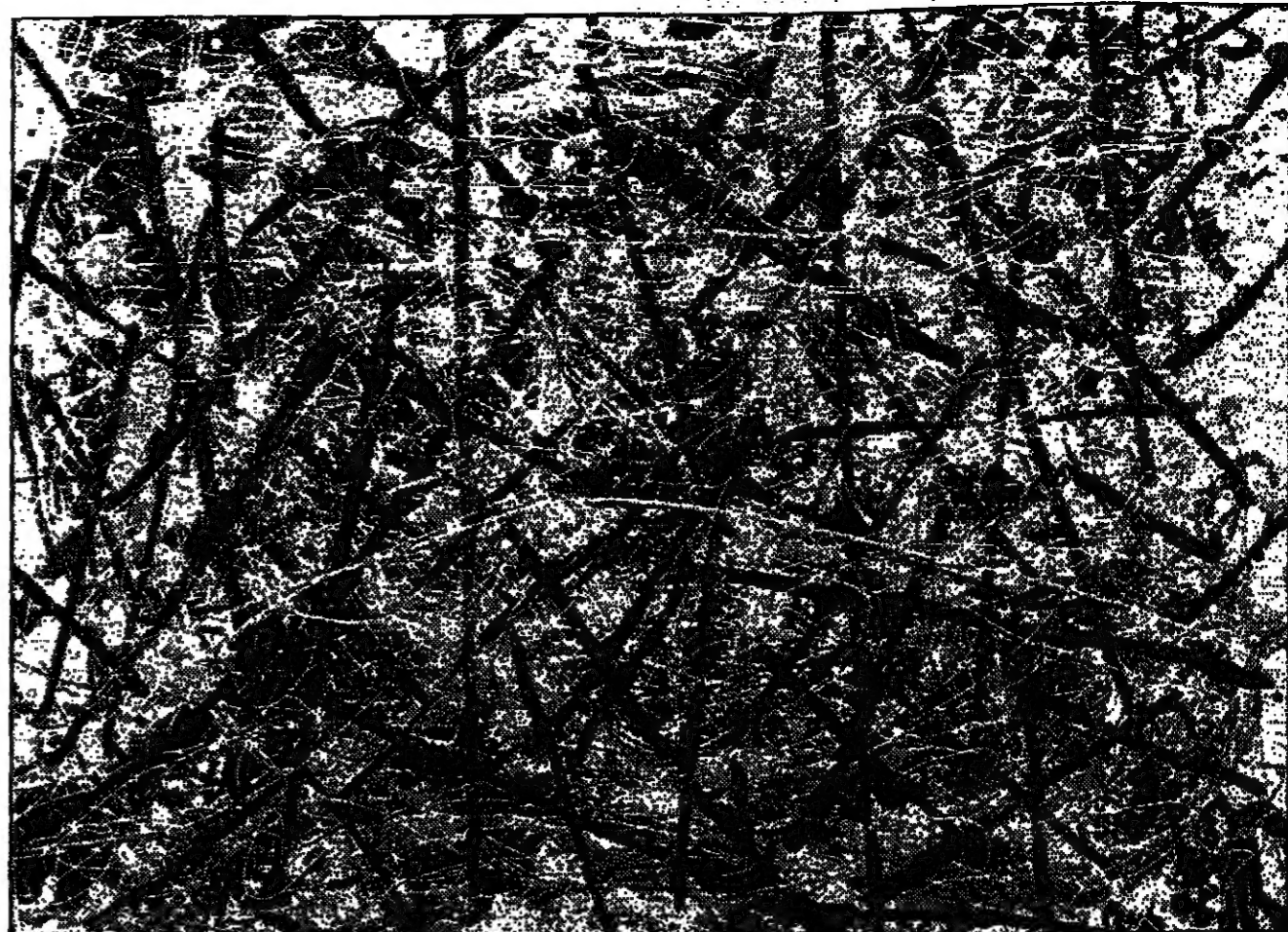
ion was going to pull it off. The very first lot, a Josef Albers of 1938, "Study for Homage to the Square: Starblue," ascended to \$276,000, well above the high estimate.

Next, Ad Reinhardt's "Painting No. 12, 1950" matched the high estimate at \$220,000. Then, Alexander Calder's mobile "Mantle of the Earth," made it only to the low estimate at \$385,000, and a Hans Hofmann work, which looks like paint smudged haphazardly over the canvas

with a heavily laden brush, was allowed to sell at 20 percent below the low estimate.

At that moment, trouble started. Clifford Still's composition, untitled but suggestive of two straggly peaks, came up next at \$190,000, against a \$400,000 to \$800,000 estimate. Richard Diebenkorn's "Urbania #1," reminiscent of a stone wall, went the same way.

From then on, the auction increasingly stumbled and faltered, brightened only by Marion's



Robert Rauschenberg's "Third Time Painting" of 1961, left, and Jackson Pollock's "Number 13, 1949."

quip, which had the audience holding their sides. The auctioneer was at his best; regrettably, the art was not.

There was too much that was blatantly pointless, even by contemporary art standards. Two sheets of paper covered with randomly scribbles in pencil and red crayon bear a striking resemblance to the doodling of a 4-year-old. The difference is that one is signed Cy Twombly and dated twice, 1962 and 1963, and the other is just dated (1967). They fell at \$190,000 and \$110,000 — illusory figures for no one tried to get them.

There were five Roy Lichtensteins. All went down the drain. Two abstract compositions loosely splashed over the canvas by Helen Frankenthaler never got off the ground. And the list goes on. It was a dreary evening.

The next day, the atmosphere could not have been more different in Christie's evening session. Four paintings leapt off the walls, the average quality was higher, and there was much less padding with dross to make the catalogue thicker. Christopher Burge, president of Christie's in the United States, was conducting the auction in a field he knows well. The minute he mounted the rostrum, bidding took off briskly.

Jackson Pollock's composition with a meek, rare and early — it was probably done around 1944 — could have suffered for not being the archetypal abstract Pollock everyone is looking for. Yet it exceeded the high estimate at \$264,000. An abstract composition by Willem

de Kooning fell flat immediately afterward. It belongs to a late phase of the artist's work, which was disregarded for years before it climbed sharply during the recent boom. "It is now the first to be hit," Burge said.

L UCKILY, Lot Four was one of the stars in the sale. Philip Guston's "Summer" is an abstract composition in shimmering bright colors faintly reminiscent of those favored by Impressionism. It zoomed to \$1,056 million, a record for the artist. That was followed by another strong contender, Franz Kline's untitled abstraction, typical of the 1950s, when he drew inspiration from Japanese calligraphy, brushed across a sheet in Zen fashion. The Kline made \$2.62 million.

These two pictures and a de Kooning sold later for \$3.8 million uplifted the entire auction. All came from the collection of an elderly woman who had acquired them virtually off the easel, via the Sidney Janis Gallery, some three decades ago. None had been in museum exhibitions, and only one, the de Kooning, had been published, in 1959. Their presence gave the sale a flavor of freshness at the top, where it matters most.

They were reinforced by a remarkable Pollock, "Number 13, 1949," from the celebrated Yaseen collection. Crisp and tight, wonderful for its color harmony — pale blues, snow white, thin swirling alivers of other yellow, touches of tomato red and spinach green under a grid of crisp black lines — it is one of the great post-World War II pictures. It went to an unidentified collector for \$3 million via the New York dealer Jeffrey Deitch, who also acquired the \$3.8 million de Kooning on his behalf.

Pictures of this caliber carried along with them some of the chancy works. Without them, Joan Mitchell's "Vera Cruz" sold, only just, for \$374,000, or Robert Motherwell's "Wall Painting No. III," with striking colors and a vibrating movement, might have encountered difficulties. The latter would certainly not have made it to its \$770,000, had its private provenance not been established. Its estimate was higher still.

For, here too, the new no-nonsense mood that toughens buyers' resolve against puffed-up estimates can resurface itself, if not to the same devastating extent as in the Sotheby's sale. Failure repeatedly struck down nonstarters, such as a sketch of a woman in the nude by de Kooning, hideous and jarring like some

unfinished vision in a nightmare. Not one bid could be heard coming from the room.

Gray hands geometrically applied at regular intervals on a white ground are no longer enough to make the attendance tick. Accordingly, Agnes Martin's square painting (untitled) elicited no response. Nor did Robert Rauschenberg's white square, "Orion." The lure of emptiness backed by a title of unfavorable mystery was not deemed sufficient by potential buyers to go along with Christie's estimate, \$700,000 to \$900,000.

More significantly, the rejections of the previous day were a concern. Not one of the three Andy Warhols offered at Christie's sold, nor the two by Jim Dine. The one Frankenthaler drew no bidding.

The case of the most important of the three Warhols, "Self-Portrait of 1966" is well worth pondering. Burge, who thinks highly of the work — it is reproduced on Christie's catalogue cover — says the owner had received a very important offer in recent months. He turned it down at the time, but "simply could not shake that out of his mind." "Self-Portrait" would certainly have found a buyer within the \$1 million-to-\$1.5 million bracket. But its printed estimate, \$3 million to \$4 million, which was not remotely plausible, killed it.

THIS is the kind of miscalculation that auction houses should no longer put up with. The price to pay is the 28 lots out of the 58 offered at Christie's that were bought in, even though the failure rate in value was only 23 percent, thanks to some very high prices. These brought the total sold to a very satisfactory \$36.7 million.

Burge and Martha Baer, the director of the contemporary art department, candidly conceded that they needed to tighten up their estimates as well as their selection for the more ambitious evening sessions. They said, echoing Sotheby's managers and experts the day before, that they had been putting pressure on the vendors to bring down reserves before the sale.

This is an interesting admission, that their own estimates are mere reflections of reserves forced upon them by greedy vendors. Soon, this sort of thing will be a memory from a fast receding past. In the new environment, it will be left to the buyers to decide what prices should be, not to the vendors. It is back to the old rules. All true art professionals, not least the collectors themselves, welcome the news.

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FOR SALE/SOLD

Worthy words: Theories on war and how to prevent it are a dime a dozen. But Albert Einstein's and Sigmund Freud's are expected to bring at least \$150,000. Sotheby's in New York announced that two letters on the subject would be auctioned Dec. 11. The letters were written at the request of the League of Nations for a book of "Letters between leaders of thought." Einstein's four-page missive, dated July 28, 1932, focuses on the question, "Is there a way to liberate man from the doom of war?" He urges a world body to resolve all conflicts between nations, and adds that war exists only because "man has in him the need to hate and destroy." Freud's 14-page answer, dated Sept. 12, 1932, attributes that need to man's aggressive instincts. Both letters are handwritten and signed.

Sent back: Collection of rare Mouton Rothschild wines, complete from 1945-1987, failed to find a buyer at an auction in Monaco last weekend, apparently a victim of economic

hard times. An American buyer and a French collector pushed the price to 140,000 francs (about \$28,000) but this was lower than the minimum set by the seller, the auction organizers said. Mouton Rothschild, a Bordeaux wine, is sought not only for its taste but for the labels on the bottles, which since 1945 have been painted by different artists including Picasso, Dalí, Miró, Chagall and Warhol. A similar collection of the wine sold for \$120,000 last year in Japan.

Tax sale: The United States Internal Revenue Service may have some difficulty getting rid of a collection it acquired. The IRS will be selling condoms and paintings of bare-breasted women at next week's tax sale of the Mustang Ranch, one of the United States' best known legal brothels. But it will not sell a small collection of porno flicks that were found in Reno brothel's purple, mirror-walled Orgy Room when the IRS seized the property Sept. 21 for \$13 million in back taxes owed by owners Joe and Sally Conforte.

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Herald Tribune

Published With The New York Times and The Washington Post

The Halfway President

George Bush's presidency approaches the two-year mark in a disrepair. If Mr. Bush is interested in finding out why, he would do well to look not at Tuesday's election returns but at his own conduct before and during the midterm campaign.

His problems, not entirely of his own making, include a faltering economy, the threat of war in the Gulf and a restless Republican Party.

But the greater difficulty is that he seems to have no governing style or strategy that could help him regain the initiative.

By themselves, the election results inflicted only marginal damage. Much has been made of Mr. Bush's failure to carry Republican gubernatorial candidates to victory in Florida and Texas; but these were idiosyncratic races, and in any case the Republicans captured statehouses in California and several key Middle Western states, including Ohio and Michigan.

In effect, the Republican Party traded the Sun Belt for the Rust Belt.

Mr. Bush's weak hand in Congress is now weaker still; the Democrats picked up one Senate seat and at least eight House seats. But the history of midterm races says the losses could have been greater. Moreover, no strong presidential contender emerged in the balloting, and two formidable Democrats, Governor Mario Cuomo of New York and Senator Bill Bradley of New Jersey, displayed unexpected weaknesses.

In short, nothing happened Tuesday to prevent Mr. Bush from offering intelligent, forceful leadership in the next two years, or from articulating goals and convictions and mustering a principled defense of what he wants to achieve.

But that will require a very different George Bush from the one who has been

floundering around for the past six weeks.

Mr. Bush's biggest mistake during the Great Budget Battle, for example, was not his decision to drop his "no new taxes" pledge, as Representative Newt Gingrich and other aggrieved Republicans contend. The fundamental error was his failure to make a persuasive case about why deficit reduction was more important than keeping his pledge on taxes.

He then compounded that failure by flipping and flopping on capital gains and higher income tax rates. In the resulting confusion, he ceded the political and legislative initiative to the Democrats.

Mr. Bush's characteristic insouciance did little to dispel the confusion. When exasperated reporters asked him to explain his position on taxes, he replied, as he jugged along, "Read my lips." That stood as the silliest comment of the campaign until Mr. Bush topped himself a few days later with the assertion that Saddam Hussein was worse than Hitler.

Confusion about hey-what's-wrong-with-a-little-confusion attitude stopped being endearing a long time ago, but Mr. Bush remains partial to it. Only Thursday, at a news conference, he gave a less than ringing endorsement to the budget agreement and pledged — again! — "no new taxes."

The news conference displayed a man who looked to Tuesday's election returns to tell him what he ought to be next week. What he ought to be is the president.

The more complex his problems become, especially in the Gulf, the more he will be required to state his aims clearly — and engage himself, as he has so far refused to do, in the ardent persuasion that democratic politics demands.

— THE NEW YORK TIMES.

Small Money Is Beautiful

There are many explanations for the victory of former Senator Lawton Chiles over Florida's Republican governor, Bob Martinez. Polls indicate, for example, that Mr. Martinez was hurt by his strident anti-abortion stand and that Mr. Chiles triumphed in the only televised debate.

But what stands out is the astonishing position Mr. Chiles took on campaign contributions. A popular political figure who retired after three terms in the Senate, Mr. Chiles could easily have matched his opponent's fund-raising. Instead, taking a bold stand against the influence of special interests and big money, he limited campaign donations to \$100 — and eventually raised money from more than 75,000 people.

Even so, he was outspent 2 to 1, and spent much of his low-key campaign talking with people at recycling centers, health clinics and teen-age pregnancy programs, a schedule hardly destined to maximize coverage on local news broadcasts.

"We won't have as many ads as the other side," Mr. Chiles told voters in one of his homemade-looking television commercials. "But we're going to trust the people."

It's probably true, as many political observers say, that only a candidate as well known as Mr. Chiles could afford to embrace such an unorthodox strategy.

It is also true that his low-key approach may have cost him his early lead.

But none of this detracts from Mr. Chiles's real accomplishment: Unlike the other gubernatorial victors this year in both parties, and unlike the Congress of the United States, he will take office unburdened by wealthy private interests.

— THE NEW YORK TIMES.

Warm Enough for You?

This year, so far, has been the warmest since scientists began keeping records more than a century ago. It was not particularly noticeable in the United States. The most dramatically unusual weather was in Asia, particularly in Siberia and particularly last March. The past decade was the warmest on record, and now another decade has begun with this unprecedentedly warm year. That does not amount to proof that the world has entered a warming trend that will continue. Nor does it prove that it is being caused by people burning fuel to generate energy. But the evidence is certainly consistent with those possibilities, and this year's temperatures strengthen them.

The White House keeps arguing that the science of global warming is still unclear. True, no one knows whether man-made carbon dioxide has yet begun to make the world hotter or what the consequences might be. But by the time warming becomes provable under the rigorous standards of science, the process will have developed a gigantic momentum, and the world will require decades even to slow it down.

Since the consequences are unpredictable, it does not seem very smart to drift headlong into them with as little thought as the United States is giving to them. Some of

the effects of warming would be benign. Certainly the Soviets, with their economy failing, were grateful for an early spring, much rain and the unusually large harvests that followed. But other impacts may be less welcome. As the people at the White House say, nobody knows.

Most of the world's governments met in Geneva this week to try to work out a joint strategy for cutting the production of greenhouse gases. The United States was conspicuous in its refusal to commit itself to any reduction or even to accept the need for one.

The Bush administration fears that any attempt to diminish the emissions of carbon dioxide — the inevitable result of burning oil, coal or any fossil fuel — would be intolerably disruptive and expensive. But that is not necessarily true. There is a lot the United States ought to be doing to reduce its dependence on imported oil, to protect its economy from Middle Eastern oil shocks, to encourage conservation generally and to raise efficiency. By doing those things, the country also would reduce the risk of drastic climate changes. By refusing to deal with the rise in carbon dioxide emissions, the Bush administration is ignoring dangers that are literally incalculable.

— THE WASHINGTON POST.

Safety Net for the Schools

In large cities throughout the United States, huge numbers of minority students drop out of secondary schools, and many who do graduate are ill-equipped for college or the work force. Too often, it is said that little can be done to raise the achievement levels of these students. The debate then turns to the methods needed to rescue younger generations from a similar fate. But an educational program devised by the New York-based Macy Foundation, operating in 39 high schools in New York City, Alabama, Connecticut and Arizona, has achieved impressive results.

More than 90 percent of the students in these schools are either black, Hispanic or native American. Many came from low-income, single-parent families, and teachers described them as having "significant deficiencies in basic skills."

The formula involved no magic wands. It included a demanding curriculum, with four years of English, math, science and social studies; a continuing four-year emphasis on reading, writing and speaking skills; and two years of a foreign language.

Class sizes were smaller in the 9th and 10th grades, which also had an extended school day involving before- and after-school tutorial and guidance support. All focused on "providing a 'safety net' to ensure each student can succeed."

Special summer school programs were also used, as were partnerships with local universities, which helped out with curriculum development and teaching techniques. After nearly a decade of operation, the results have been remarkable. Macy students have been scoring at the 60th percentile or above on standardized tests and are receiving higher grades in math and science courses, despite more difficult course content. About 90 percent are attending four-year colleges. That compares with an average college attendance rate, among blacks and Hispanics, of about 30 percent.

A report on the Macy program has now been compiled by a national education consulting group. As one of its members put it, the Macy approach is "a well-founded model," and clearly worthy of replication.

— THE WASHINGTON POST.

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OPINION

Baghdad's Goebbels Plays on Washington's Weakness

By Jim Hoagland

WASHINGTON — From his encircled lair in Baghdad, Nizar Hamdoun reaches out with the most effective and deadly of modern weapons — the telephone, the television camera and the fax machine — to make Americans think kinder and gentler thoughts about his boss, Saddam Hussein.

Mr. Hamdoun is a deputy foreign minister and formerly the top Iraqi diplomat in Washington. But he is much more than that. He is the smiling, human face of an inhuman regime. By trade a diplomat and intelligence operative, Mr. Hamdoun is by nature one of the great publicists of our time. It gives Saddam Hussein too much credence to say that he is worse than Hitler; but it is no exaggeration to say that Mr. Hamdoun is better than Goebbels.

Until Aug. 2, visits to Iraq for Western journalists were as scarce as hen's teeth. But since the Iraqi invasion of Kuwait, there has been a steady parade into Baghdad of newspaper reporters and television anchors. The latest gimmick has brought political has-beens Edward Heath, Yasuhiro Nakasone and Willy Brandt to Baghdad to lick Saddam's boots on camera in exchange for the freedom of a few hostages. They and Jesse Jackson are to be congratulated for helping free their fellow citizens. But we, and they, must not remain silent about, or forgive, the criminal nature of these transactions. Access and human beings are

being bartered by the Iraqis to the outside world for a better image.

Iraq is letting in scores of American reporters whom it would have routinely banned before Washington and Baghdad went on a war footing. Iraq holds hostage 1,000 Americans while it allows selected American journalists to come and go on regularly scheduled flights. John Simpson, a perceptive BBC correspondent with long experience in Iraqi affairs, questioned this arrangement over dinner with an Iraqi official, who responded candidly:

"Your presence here and the reporting you do means that Baghdad ceases to be an abstraction in the minds of people in the West. It becomes for you a real place, with real people. If the Americans bomb us, everyone knows that ordinary people like themselves will be killed. In a way, you are a form of national defense for us."

That of course is not the way a working journalist sees his or her role. Reports from Baghdad in many newspapers on opposition to Saddam Hussein and his invasion of Kuwait, and to the reign of terror there, show that Iraq cannot turn the Western press into a propaganda machine working on its behalf. Mr. Simpson does not name the official. He

does not have to. Those who have dealt with Mr. Hamdoun in Baghdad and Washington will instantly recognize Mr. Simpson's "wily, sharp-minded and subtle" host, "trailing a string of worry beads in some expensive, precious stone from a languid hand and speaking English as well as any of his" British and American guests at the dinner.

Mr. Hamdoun came to Washington in 1983 with the mission of re-establishing U.S.-Iraqi diplomatic ties, broken off by Baghdad in 1967. That took only a year. But unlike most Arab diplomats, Mr. Hamdoun also understood and worked the newer elites of Washington foreign-policy-making: Congress, the media and the business community. Charming, a generous and active host, he was ready to talk to anyone in Washington about anything.

Well, almost anything. He would not talk about his previous job for a decade, which had been supervising the Regional Command of the ruling Ba'ath party in Baghdad. That meant that Mr. Hamdoun ran the subversion and propaganda campaigns Iraq directed at its rival party regime in Syria. An American official who once asked Mr. Hamdoun not so innocently what his previous duties had been received only a cold stare.

In an opinion article he wrote for The Washington Post in 1987, Mr. Hamdoun explained

the priority he attached to the public-relations aspect of diplomacy and the philosophy that still guides Baghdad's view of Washington:

"Public opinion is what matters in this country, especially at a time of a crisis; that's when you need [the media] the most."

"Before that you should establish a two-way relationship based on understanding and mutual benefits... Nothing is ever final in Washington. Everything is always developing. Every policy triggers its own opposition. Everything and everyone is workable."

Mr. Hamdoun returned to Baghdad and a senior post in the Foreign Ministry in 1987. He continued his public relations work by briefing the rare visiting correspondent and, as he continues to do, telephoning Washington editors, reporters and academics to explain how reasonable Saddam Hussein really is and how ready to compromise he would be if only George Bush would stop talking war.

Mr. Hamdoun is about as good a snake-oil merchant as there is. But what he sells is poison. Saddam Hussein made the bet on Aug. 2, undoubtedly after listening to American-watchers Hamdoun, that "Washington would stay 'workable' even if Iraq invaded and dismembered Kuwait. It will be a disaster for this nation and for global order if Mr. Hamdoun turns out to be right about us."

The Washington Post.

Something People Can Believe In

By William Pfaff

CHICAGO — The usual apathy accompanied the midterm elections, even in Chicago, which once enjoyed its politics. The usual hand-wringing followed, among those of us who make our living telling our fellows what is wrong with the country.

Most of the reproaches concerned the pernicious replacement of political debate with morsels of televised emotion and image, prepared by an entirely new industry of electoral counselors, advertising consultants and political hit-men, at a cost that requires elected officials to devote by far the greatest part of their time to obtaining the money to finance past and future campaigns.

This absurd and nationally degrading situation could, of course, be brought to a halt by banning paid political broadcasting or advertising and requiring, or federally financing, equal broadcasting time for qualified candidates, planning, reasoning, on how that time can be used (talk and argument, not images). This is what virtually every other democracy does. And it works.

There is another problem, a fundamental one, which can — could — be cured. It is exemplified in the national obsession with taxes, or with not being taxed, to be exact.

Once again this year nearly every candidate lost who suggested that the government might need to spend more on some manifest need, and who had the courage to add that to spend, one should tax accordingly.

It does no good to say that Americans are behaving perversely about taxes — that vast national needs are unmet, the economy deeply indebted, the taxation rate half that of any other country with serious pretensions.

Americans now, by and large, are convinced that paying taxes produces little or no visible benefit, for the taxpayer or for the public well-being. There no longer is much sense that the government itself does good for the people, outside providing national defense and the popular entitlements like Medicare.

The military is exempt from the general condemnation of government and politicians as incompetent or corrupt, perhaps because people simply have to believe in something.

They also seem to recognize that military professionals work hard, make sacrifices and are acting from a sense of duty toward the country.

Americans do not believe that about civilian agencies of government. The civilians are "bureaucrats," time-servers, paper-pushers, spend-



thrifts. The public is told this by every politician from the president on down. They all run against "Washington."

They go out to where "the real people" are every two or four years to congratulate them on not being bureaucrats and parasites in Washington.

And yet this demagogic, contemptible in motivation, touches upon a truth. The functioning of American government is not good when compared with government in other countries. The quality of the American civil service is not, overall, very high today by comparison with the civil service in Japan, or in Britain or France.

Why should it be? What able person wants a career disgraced by the president himself, ritually scorned by politicians, poorly paid, and widely regarded with suspicion or contempt?

A senior British public servant knows that he is more important to the competence and continuity of government than most of the individual politicians who are his nominal superiors — and that he (or she) is recognized to be so.

The professional head of the British treasury has traditionally, if implicitly, been regarded as the most important figure in government after the prime minister. A senior British civil servant is well paid, respected, and will retire with a title and the queen's express gratitude.

The national school systems of Japan and France are organized to deliver their student elites to certain institutions of higher education — Tokyo University, the French *grandes écoles* — whose function is to form the nation's professional leadership.

The highest social prestige attaches

to the graduates of these schools, who in France constitute the so-called *Grand Corps* of a civil service that rules not only government but, just as in Japan, sets the general direction of the nation's industrial policy and its investment priorities.

If a society organizes itself to place the best of its young in government service, it can expect efficient, imaginative, highly motivated government. People who pay taxes get something

for it. Seeing that taxes buy good government they are willing to pay taxes. In no other industrial democracy is there the tax phobia that exists in the United States. There is a reason. People are buying good government.

In the United States, they are not doing so. At least that is the demonstrated conviction of the voters. How are we to change this? Certainly not by paying still lower taxes, or rewarding politicians who dem-

igrate government and civil servants. A positive change can come only if political leadership is prepared to restore value and respect to government service so as to make it possible for government to recruit from the best people available. Today there is not only no sign of that being done. There is virtually no sign of any recognition that it needs to be done.

International Herald Tribune.
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The Parties Are Over — Let Us Weep

By Edwin M. Yoder Jr.

WASHINGTON — The Nov. 6 elections have produced a remarkably uniform assessment. Nearly everyone has remembered (more or less accurately) the Churchillian remark about timeless puddings.

But the outcome is more accurately summed up in the sagacious remark usually attributed to St. Theresa: "More tears are shed over answers, than unanswered, prayers."

And haven't Americans' political prayers been answered? Isn't this what you really wanted when you moved to the suburbs, reregistered as an independent and began sending donations to the single-issue outfits? Isn't it what you wanted when you said, "I vote for the man, not the party"? Or "I like him because he's above politics"? Or "Why don't they cut out the cheap partisanship and just do the right thing?"

Of course it is. And the common denominator was and is hostility to political parties. The trouble is that

parties, messy as they are, are the only instruments by which a diverse democratic electorate ever managed to hold government accountable for its acts and policies. At their best, they stood for coherence, accountability and discipline.

Still today you will hear the chairmen of national parties pretend to think they are healthy. Like the Spaniards who propped up the corpse of El Cid to lead the charge against the Saracens, they speak of the "revival of the Democrats" or "a moral victory for the Republicans." But the entities they refer to are dead or dying.

In Congress, the parties still matter, at least in name, for it is party votes that determine who shall organize Congress and distribute its perquisites. Every two years during the organization vote, there is an hour or so of ostentatious party loyalty. But as the embarrassing revolt against the congressional "leadership" over the recent budget agreement showed, that is about the limit.

In Congress, it is otherwise everywhere for himself. This is no surprise, since parties have less to say about who runs for what under which label than the press, which has less to say about it than big donors, public-relations firms and advertising tycoons. All you need to run today, even for president, is an ample ego, a pollster and a financial backer or two.

Not everyone who enters this self-initiated process wins. But no one loses or fails at it because a party, or party leaders, disapprove, or because the candidate's opinions have little to

do with the party's historic positions. A Ku Klux Klan member runs for senator as a "Republican" in Louisiana, and the party is powerless to stop him. It cannot even withhold the label. Parties adjust to candidates, not the other way around.

Tuesday's election was the latest study in the incoherence of partyless politics. A New York Times headline told the story neatly: "Voters Out-Governing Party in 14 States; Congress Is Shaken but Few Are Unseated."

It is a familiar story. Every governor, regardless of party, who had to face up to a deficit problem was unseated. Or if that governor happened to be retiring, his party usually was retired from the statehouses along with him. State officials can neither print money nor ignore debt. And unlike incumbent congressmen and senators, who can do both, they were not returned by stunning percentages.

So the great divide in American politics today is not party, it is function. If you are an officeholder at the federal level, a president or a member of Congress, you can live in dreamland with little political risk, taking the credit and passing the responsibility for it to someone else. If you are a governor or a state legislator, trying to deal with all the mandated programs Congress passes along (usually without adequate funding), you have no place to hide.

Parties once helped us decide where real responsibility lay. Now we Americans are getting that partyless government we always said we wanted, and we have to pick our targets at random. Our prayers have been answered. That's what the weeping is about.

Washington Post Writers Group.

100, 75 AND 50 YEARS AGO

1890: Honduras Revolt

PARIS — A dispatch from Mexico announces that a widespread revolution has broken out in Honduras. The revolutionists are headed by General Longino Sanchez, a prominent Liberal who is popular with the army. A pronunciamento has been issued by the insurgents and since then there has been continuous skirmishes between the Government and the rioters. President Bogran's friends claim that his popularity is great, and that the outbreak can be easily quelled, but Sanchez is a man of many resources, and with the army at his back, may overthrow the Government.

1915: Yoshihito Is Feted

KYOTO — With all the strangely picturesque ceremony customary to the occasion, the coronation of Emperor Yoshihito of Japan took place yesterday (Nov. 10) in this Holy City. Strictly speaking, by reason of the fact that in Japan the sovereign has

no crown nor does he receive any anointment, the ceremony was not so much that of a coronation as of the consecration of the new Emperor by a solemn ritual homage paid by him to his ancestors. The festivities in connection with the accession to the throne last a month.

1940: Moonlight Raid

LONDON — With a waxing moon in a cloudless autumn sky brilliantly illuminating London, German raiders began their nightly procession over the city at dusk yesterday (Nov. 10), and soon fires were burning fiercely in the south and east, providing markers for other machines which came to dump their loads of high explosives. Flames and sparks leaped from the configurations and smoke billowed to the sky. But London's firemen were on the job, pouring tons of water, which gradually brought the blaze under control.

— From the New York edition of the New York Herald Tribune.

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ECONOMIC SCENE

Some Say Cutting Deficit Won't Hasten Recession

By Leonard Silk
New York Times Service

NEW YORK — After repeated failures to work out a plan to eliminate the U.S. budget deficit during the years when the economy was climbing, the White House and Congress finally made a deal to cut the deficit by an estimated \$40 billion in the next fiscal year and by \$490 billion or so over the next five years — just when most economists believe the economy is weak and falling into recession.

In this, as some are saying, a horrendous blunder, comparable to the decision made by President Herbert Hoover to put through a huge tax rise, nearly doubling rates, as the economy was falling into the depths of the Depression in 1932?

The pervasive Hoover fiscal policy and timid Fed monetary policy, which allowed the money supply to shrink by one-third, as banks slashed their lending to business, deepened the Depression.

Are U.S. leaders about to make the same mistakes and bring on a depression? Should they just forget about reducing the structural budget deficit and instead focus on the short-run necessity of fighting recession by increasing the deficit through lower taxes and higher spending?

C. Eugene Steuerle, who was deputy assistant for tax analysis at the Treasury Department before joining the Urban Institute in Washington in 1989, contends it would be a serious mistake to forget about reducing the debt burden for the sake of using short-term fiscal policy to combat the recession.

Indeed, he maintains it is possible to achieve a fiscal policy that will meet both the objectives of short-term economic stabilization and long-term deficit reduction. To get both, he calls for "automatic fiscal stabilization through the tax and transfer system."

To get greater fiscal responsiveness to short-run cyclical swings without sacrificing long-term economic stability, he calls for improving public insurance programs.

The unemployment compensation system, traditionally the government's chief weapon for providing anti-recessionary expenditures and insurance, has, he says, become a "time bomb."

HE SAYS THIS is because the system is so inadequately financed that a recession could make many state programs insolvent. Less than one-third of the jobs have received benefits in the last decade.

He would provide the financing to unemployment compensation that would make it one of the strongest automatic stabilizers, increasing total demand when the economy slumps and decreasing it when the economy booms.

While improving the automatic stabilizers for short-term fiscal responses, he supports a long-run deficit-reduction target and would stick to it over the course of the business cycle.

But if one relies only on the automatic stabilizers, rather than on discretionary changes in taxes or spending, to check a recession, will the economy fall into a depression?

Hyman P. Minsky, a visiting professor at Bard College of Columbia University and author of "Can 'It' Happen Again?" answers no — because today's economy is far less vulnerable to deep depression.

In 1929 the U.S. government constituted a mere 3 percent of the total U.S. economy; it now accounts for 25 percent, and its spending will be stable throughout the business cycle. In addition, the Fed would move in, at Mr. Minsky's suggestion, "to flood the economy with reserves and to prevent a collapse of asset values."

After the New York stock market collapse of October 1987, which swiftly spread to markets around the world, the central banks behaved as a close fraternity, and they are likely to do so in any future crisis.

As the former Fed Chairman, Paul A. Volcker, put it in his 1990 Per Jacobson Lecture before the International Monetary Fund: "In a turbulent world, the importance of restoring a sense of stability is more clearly recognized."

One expert says stabilization and deficit reduction can be attained simultaneously.

Housecleaning Hits Executive Suites

On Wall Street, Pain in High Places

By Kurt Eichenwald
New York Times Service

NEW YORK — In the last three years, Wall Street has seen two stock market collapses, several investment houses go bankrupt or nearly collapse, some of its most profitable businesses evaporate and tens of thousands of employees lose their jobs.

Now, firms on Wall Street are bracing for the tough part: The pain has infiltrated the executive suite.

With profits shrinking and no longer justifying the expensive infrastructures — huge staffs and expensive offices — they built during the heady deal-making of the 1980s.

As a result, executives who once did the firing are now being fired, while prized businesses like investment banking that once paid the rent are being dismantled. After years of cutting the fat, Wall Street now appears to be cutting into some of its muscle.

Senior executives with several firms, who asked not to be identified, are even saying what only last year would have been considered heresy: They are prepared to cut compensation across the board by 10 percent to 15 percent, as long as another firm goes first.

Japan Cool To Bid for G-7 Talks

By Patrick L. Smith
International Herald Tribune

TOKYO — Finance Minister Ryutaro Hashimoto distanced Japan on Friday from a proposal to the Group of Seven industrial democracies to coordinate their monetary policies to defend the dollar.

The minister's stance, announced after a meeting of Prime Minister Toshiki Kaifu's cabinet, marked a dramatic policy reversal from just a few months ago, when Tokyo eagerly sought G-7 cooperation to stabilize the then-declining yen.

The dollar continued to climb Friday against the yen in Tokyo and stocks remained volatile on fears of a military conflict in the Gulf, although steep morning losses were mostly recovered.

On Thursday, Pierre Bérégovoy, France's finance minister, proposed that monetary officials from the seven leading industrialized countries meet to discuss the dollar's weakness. Mr. Hashimoto, in the Japanese government's first response to the proposal, seemed to skirt the entire issue, however.

"I see no immediate need to hold such a meeting," Mr. Hashimoto said. "However, Japan will consider a proposal if made by a G-7 nation."

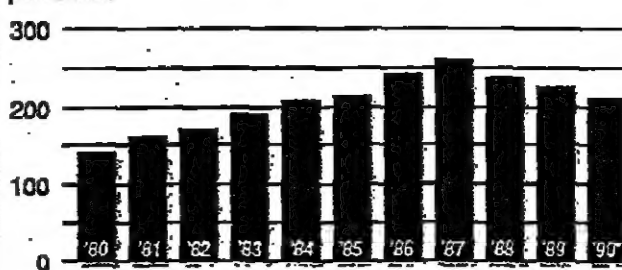
Economists and currency analysts said Mr. Hashimoto's statement confirmed that Tokyo monetary officials had placed concerns about domestic inflation above Japan's international obligations as one of the most financially able members of the Group of Seven, which comprises the United States, Germany, Japan, Britain, France, Canada and Italy.

The statement came amid an apparent revival of divisions among fiscal and monetary officials as to the proper direction of Japanese interest rates. Countering the Bank of Japan, which has long placed priority on controlling inflation, the International Trade and Industry Ministry and other agencies have called for an easier monetary policy to avoid jeopardizing economic growth.

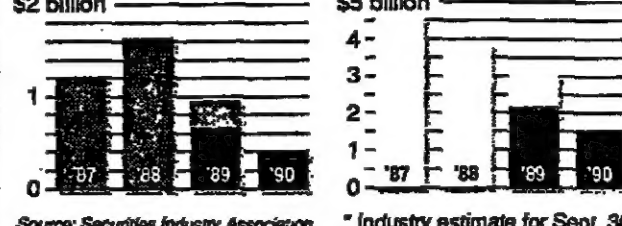
In the Tokyo markets on Friday, the dollar gained one yen from Thursday's close, ending at 130.50. The weakened yen pushed the Nikkei average of 225 industrial stocks down 350 points in morning trading. After recovering much of the index ended at 22,931.80 points, off 38 yen from Thursday's finish.

The Fallout Worsens

WALL STREET EMPLOYEES
Includes partners, officers, brokers, clerks and other full-time personnel.



FEES
Mergers and acquisitions
Domestic underwritings



Source: Securities Industry Association
* Industry estimate for Sept. 30

into the junk bond market to pay back their loans quickly, have not recovered as firms had hoped.

Europe, which had been seen as the salvation of the financial machine built in the 1980s, has not been able to offset the global deal-making collapse despite an increase in the number of transactions involving companies there.

In the first nine months of this year, global merger activity was down 40 percent, to \$331.4 billion, compared with \$549.8 billion in the first three quarters of 1989.

More recently, the Iraqi invasion of Kuwait and the wranglings over the U.S. budget have depressed the stock market. And competition has driven down fees, making even relatively healthy businesses less profitable.

While corporations are still using the capital markets to raise cash, See STREET, Page 12

Weak Economy Curbs Growth in Producer Prices

By Lawrence Malkin
International Herald Tribune

NEW YORK — Largely because of imminent recession, rises in oil prices are not spilling over into the rest of the U.S. economy as they did in the oil shocks of the 1970s, the October wholesale price index indicated Friday.

On the surface, the government's monthly index of producer prices looked dire, with the overall increase of 1.1 percent fueled largely by higher energy prices. But this represented a slowdown from the increase of 1.6 percent in September, the first full month to show the results of the squeeze on Middle East oil supplies.

Most important, when volatile food and energy prices were stripped away, producer prices were unchanged in October. The core rate was held back by sharply lower automobile prices in a soft car market.

Financial markets took the numbers as good news. Stocks and bonds rallied on hopes that the prospect of lower inflation would allow the Federal Reserve to bring down interest rates another quarter of a percentage point at its Open Market Committee meeting next Tuesday.

The interest rate outlook weakened the dollar against European currencies, although the drop was checked by fears of war in the Middle East. (Page 10.)

Cynthia Latta, an economist at DRI/McGraw Hill, said the weak economy has restrained producers from passing on higher oil prices to their customers. Thus, of course, will mean lower profits.

Moreover, said Donald Ratajczak, director of economic forecasting at Georgia State University, price restraint is likely to continue. He forecast a wholesale increase of only 3.1 percent next year. So far this year, the index has risen at a rate of 7.0 percent, the highest in nine years.

"I've never seen so many prices going up and down, and it's recession that's making them go down," Mr. Ratajczak said. "I don't expect prices to play catch-up as they did in 1973 and 1979. In those oil shocks, we threw money at oil prices until the Fed got religion under Paul Volcker. This time, the Fed is not going to do that. There has been no growth in bank reserves."

Energy goods rose 8 percent last month, down from a 13.8 percent increase in September. Although crude oil prices actually rose faster in October than September — 29.5 percent versus 20.4 percent.

But capital-equipment prices fell 0.2 percent, durable goods fell 0.7 percent, and passenger cars dropped 2.7 percent.

Not surprisingly, prices rose for chemicals, plastics, rubber and other products with a heavy input of oil. But Mr. Ratajczak said actually price-sensitive goods outside the ambit of oil, such as scrap and wallpaper, were cheaper because of the business slowdown.

Joel Popkin, a former economist at the Bureau of Labor Statistics who now advises unions, was not as sanguine as other economists.

"The fact of the matter is that the core rate of inflation is already high — 4 percent in the producer index and 5 percent in the consumer index. When oil prices start rippling through the consumer index, wage feedbacks will push it up higher."

Poland Picks 5 Bidders For Cellular Telephones

The Associated Press

WARSAW — The Communications Ministry said Friday it had selected five finalists for Poland's first cellular telephone contract and defended the fairness of the bidding process.

Communications Minister Jerzy Szezak did not name the finalists, but said he would document the fairness of the bidding to companies seeking the contract, which is valued at up to \$100 million.

U.S. Ambassador Thomas W. Simons said the finalists were Nynex Corp., one other U.S. company, two European consortia and a Hong Kong company. Two of the five will be selected by late December for final negotiations, he said.

The contract is the first major government project to be opened to bidding and is considered a test for the newly capitalist economy. U.S. West Inc., Ameritech and Millicom Inc. were eliminated from the bidding in September. The three U.S. companies are "seeking clarification" about their elimination based on the technical aspects of their proposal, said James Whisenand of Ameritech.

FIDELITY PACIFIC FUND S.A.

Incorporated Under the Laws of Panama
NOTICE OF ADJOURNED SESSION OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Please take notice that an Adjourned Session of the Annual General Meeting of Fidelity Pacific Fund S.A. (the Corporation) will take place at 9:00 a.m., at the Corporation's principal office, Pembroke Hall, Pembroke, Bermuda on November 21, 1990.

The following matters are on the agenda for this meeting:
1. Election of five (5) Directors, specifically the re-election of the following five (5) present Directors:
Edward C. Johnson 3d Harry C. A. Seggerman
Charles T. M. Collins H.F. van den Hoeve
Charles A. Fraser

being all of the present Directors except William L. Byrnes who by reason of his retirement does not offer himself for re-election.

2. Review of the balance sheet and profit-and-loss statement of the Corporation for the fiscal year ended May 31, 1990.

3. Ratification of actions taken by the Directors since the last Annual General Meeting of Shareholders.

4. Ratification of actions taken by the Investment Manager since the last Annual General Meeting of Shareholders.

5. Consideration of such other business as may properly come before the meeting.

Holders of registered shares may vote by proxy by mailing a form of proxy obtained from the Fund's principal office in Bermuda or from the institutions listed below to the following address:

Fidelity Pacific Fund S.A.
C/O Fidelity International Limited
P.O. Box EM 670
Hamilton HM CX,
BERMUDA

Holders of bearer shares may vote by proxy by obtaining from the institutions listed below a form of bearer shareholders proxy, certificate of deposit and receipt for bearer share certificates, against deposit of their share certificates, and mailing the proxy and certificate of deposit to the Corporation at the address set forth in the preceding paragraph. Alternatively, holders of bearer shares wishing to exercise their rights personally at the meeting, may deposit their share certificates, or a certificate of deposit therefor, with the Corporation at Pembroke Hall, Pembroke, Bermuda, against receipt therefor, which receipt will entitle said bearer shareholders to exercise such rights.

Fidelity International Limited
P.O. Box EM 670
Hamilton HM CX,
BERMUDA

Brown Brothers Harriman
(Luxembourg) S.A.
35, Boulevard Prince Henri
Boite Postale 403
L-1724 LUXEMBOURG

Fidelity International (C.I.) Limited
40, The Esplanade
St. Beller, Jersey,
CHANNEL ISLANDS

Fidelity International Management Holdings Limited
25 Lovat Lane
London EC3R 8LL
ENGLAND

All proxies (and certificates of deposit issued to bearer shareholders) must be received by the Corporation not later than 8:30 a.m. on November 21, 1990, in order to be used at the meeting.

Dated: November 2, 1990
BY ORDER OF THE MANAGEMENT
Charles T.M. Collins, Secretary

Pöhl Urges Delaying EC Central Bank

By Leigh Bruce
International Herald Tribune

LONDON — Karl Otto Pöhl, president of Germany's Bundesbank, said Friday that the goal of economic and monetary union would be better served if the European Community did not set up a central bank at the start of 1994, as agreed by EC heads of state last month.

In remarks to a conference on economic and monetary union sponsored by the London School of Economics, Mr. Pöhl insisted that "this would by no means imply a delay of the process of integration."

Instead, he said, "it would prevent the creation of a gray area of monetary policy responsibility for an indefinite period."

For the same reason, he repeated his rejection of Britain's alternative plan for monetary union, in which a so-called "hard Ecu" would circulate in parallel with national currencies.

Saying that the "indivisibility" of monetary policy would not be assured under the plan, he warned that the inevitable competition between the strongest national currency and the European currency unit would lead to damaging "compromises."

Mr. Pöhl also dismissed arguments that greater EC integration would make impossible an eventual extension of membership to include outsiders both in Western and Eastern Europe. "The opening up and extension of Europe is not at odds with the economic and political integration which has made such gratifying headway in the last few years," he said.

He pointed out that countries outside the European Monetary System of semifixed exchange rates, like Norway and Austria, had already pegged their currencies to the system. "From the very beginning the concept of EMS was not that of an exclusive closed shop, and this should not be changed by the more far-reaching plans on EMU," he said.

An intergovernmental conference will convene in mid-December to negotiate treaty amendments implementing economic and monetary union, including a European central bank and, eventually, a single currency.

Under the so-called Delors Plan, Phase Two of union, which begins Jan. 1, 1994, would be a transition period during which EC members would prepare for the adoption of a single monetary policy, fixed exchange rates and finally a single currency in Phase Three.

The committee of EC central bank governors, which is chaired by Mr. Pöhl, will complete the draft statute for a European central bank at a meeting in Basel next week.

The proposed bank would be independent of political interference, it would have full control of monetary policy, its primary objective

See PÖHL, Page 10

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MARKET DIARY

Share Prices Jump As U.S. Bonds Rally

NEW YORK — Prices were sharply higher at the close of the New York Stock Exchange Friday in very light trading, in a rally fueled by a sharp rise in the Treasury bond market.

The Dow Jones industrial average, which rose 2.97 points Thursday, surged 44.80 to 2,488.61.

Advances led declines by more than a 5-2 margin. Volume was

October, buoyed hopes that the Federal Reserve will lead toward cutting interest rates further at its policy meeting Tuesday.

IBM was the most active issue, rising 2 1/4 to 110 1/4. AT&T followed, losing 1/4 to 33 in a continuation of Thursday's slide.

(UPI, AP, Reuters)

Oil Plunges

Oil prices plunged Friday as traders sold off contracts on rumors that President Saddam Hussein of Iraq had been overthrown, Reuters reported from New York.

The market continued falling even after the U.S. State Department said it had not received such reports.

Crude oil for December delivery closed down \$1.64, or 4.6 percent, at \$33.89 a barrel on the New York Mercantile Exchange.

"The rumors sparked the selling, but then technical aspects took over," said Stephen Murphy, trader at Dow International Energy.

Price Report Triggers New Decline in Dollar

NEW YORK — Fresh signs of U.S. economic weakness pushed the dollar slightly lower in quiet trading on Friday, although it held about a possible outbreak of war in the Gulf limited the losses.

"The market wants to sell the dollar, but heightened tensions in the Mideast Gulf supports it as a

Foreign Exchange

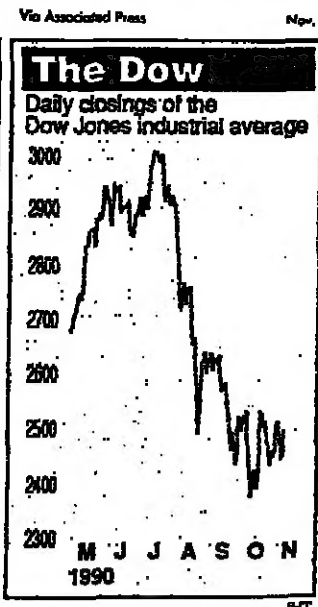
refuge currency," said Robert Hatcher, a dealer at Barclays Bank.

The dollar ended at 1.4871 Deutsche marks and 129.81 yen, off from 1.4897 and 129.95 on Thursday.

The U.S. unit also slipped to 4.994 French francs, compared with 4.995 francs, and at 1.2495 Swiss francs, down from 1.2505.

The dollar was undermined by a Labor Department report that producer prices, excluding food and energy, were unchanged in October.

Dealers said the figures indicated



NYSE Most Active

Vol.	High	Low	Last	Chg.
IBM	110 1/4	109 3/4	110 1/4	+2 1/4
AT&T	33 1/4	33 1/8	33 1/4	-1/4
Apple	52 1/2	52 1/8	52 1/2	+1/8
Microsoft	34 1/2	34 1/8	34 1/2	+1/8
Oracle	27 1/2	27 1/8	27 1/2	+1/8
Novell	24 1/2	24 1/8	24 1/2	+1/8
Lotus	21 1/2	21 1/8	21 1/2	+1/8
Intuit	18 1/2	18 1/8	18 1/2	+1/8
Visa	15 1/2	15 1/8	15 1/2	+1/8
MasterCard	12 1/2	12 1/8	12 1/2	+1/8

AMEX Most Active

Vol.	High	Low	Last	Chg.
Time	11 1/2	11 1/8	11 1/2	+1/8
Bank	10 1/2	10 1/8	10 1/2	+1/8
Insurance	9 1/2	9 1/8	9 1/2	+1/8
Real Estate	8 1/2	8 1/8	8 1/2	+1/8
Health	7 1/2	7 1/8	7 1/2	+1/8
Technology	6 1/2	6 1/8	6 1/2	+1/8
Energy	5 1/2	5 1/8	5 1/2	+1/8
Telecom	4 1/2	4 1/8	4 1/2	+1/8
Media	3 1/2	3 1/8	3 1/2	+1/8
Automotive	2 1/2	2 1/8	2 1/2	+1/8

NYSE Diary

Advanced	Declined	Unchanged	Not Reported
112	54	23	1
Volume	1,122,000	1,122,000	1,122,000
Value	\$1.122 billion	\$1.122 billion	\$1.122 billion
NYSE	1,122,000	1,122,000	1,122,000
AMEX	1,122,000	1,122,000	1,122,000

NASDAQ Diary

Advanced	Declined	Unchanged	Not Reported
1,122	54	23	1
Volume	1,122,000	1,122,000	1,122,000
Value	\$1.122 billion	\$1.122 billion	\$1.122 billion
NASDAQ	1,122,000	1,122,000	1,122,000
AMEX	1,122,000	1,122,000	1,122,000

Dow Jones Averages

Open	High	Low	Last	Chg.
NYSE	2488.61	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	2488.61	+44.80

Standard & Poor's Indexes

High	Low	Close	Chg.
Industrials	2488.61	2488.61	+44.80
Utilities	2488.61	2488.61	+44.80
Financials	2488.61	2488.61	+44.80
Technology	2488.61	2488.61	+44.80
Energy	2488.61	2488.61	+44.80

NYSE Indexes

High	Low	Close	Chg.
NYSE	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	+44.80

NASDAQ Indexes

High	Low	Close	Chg.
NASDAQ	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	+44.80
NYSE	2488.61	2488.61	+44.80

AMEX Stock Index

High	Low	Close	Chg.
AMEX	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	+44.80
NYSE	2488.61	2488.61	+44.80

Dow Jones Bond Averages

High	Low	Close	Chg.
Dow Jones	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	+44.80

Market Sales

High	Low	Close	Chg.
Market Sales	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	+44.80

N.Y.S.E. Odd-Lot Trading

High	Low	Close	Chg.
N.Y.S.E.	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	+44.80

S&P 100 Index Options

High	Low	Close	Chg.
S&P 100	2488.61	2488.61	+44.80
AMEX	2488.61	2488.61	+44.80
NASDAQ	2488.61	2488.61	+44.80

Dividends

Company	Per	Ann	Pay	Rec
IBM	2.00	2.00	2.00	2.00
AT&T	1.50	1.50	1.50	1.50
Apple	1.00	1.00	1.00	1.00

Spot Commodities

Commodity	Today	Prev.
Crude Oil	33.89	35.53
Gold	375.00	375.00
Silver	16.00	16.00

London Metals

Commodity	Today	Prev.
Aluminum	1.50	1.50
Copper	1.20	1.20
Lead	1.00	1.00

European Commodities

Commodity	Today	Prev.
Wheat	1.50	1.50
Corn	1.20	1.20
Soybeans	1.00	1.00

Paris White Sugar

Commodity	Today	Prev.
White Sugar	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Coffee

Commodity	Today	Prev.
Coffee	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Cocoa

Commodity	Today	Prev.
Cocoa	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Rubber

Commodity	Today	Prev.
Rubber	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Wheat

Commodity	Today	Prev.
Wheat	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Corn

Commodity	Today	Prev.
Corn	1.20	1.20
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Soybeans

Commodity	Today	Prev.
Soybeans	1.00	1.00
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Cotton

Commodity	Today	Prev.
Cotton	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Lard

Commodity	Today	Prev.
Lard	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Pork

Commodity	Today	Prev.
Pork	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Beef

Commodity	Today	Prev.
Beef	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Lamb

Commodity	Today	Prev.
Lamb	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Mutton

Commodity	Today	Prev.
Mutton	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Chicken

Commodity	Today	Prev.
Chicken	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Turkey

Commodity	Today	Prev.
Turkey	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Eggs

Commodity	Today	Prev.
Eggs	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Butter

Commodity	Today	Prev.
Butter	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Cheese

Commodity	Today	Prev.
Cheese	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Milk

Commodity	Today	Prev.
Milk	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Cream

Commodity	Today	Prev.
Cream	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Yogurt

Commodity	Today	Prev.
Yogurt	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Ice Cream

Commodity	Today	Prev.
Ice Cream	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Candy

Commodity	Today	Prev.
Candy	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Chocolate

Commodity	Today	Prev.
Chocolate	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Sweets

Commodity	Today	Prev.
Sweets	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Salts

Commodity	Today	Prev.
Salts	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Vinegar

Commodity	Today	Prev.
Vinegar	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Oil

Commodity	Today	Prev.
Oil	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Alcohol

Commodity	Today	Prev.
Alcohol	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Tobacco

Commodity	Today	Prev.
Tobacco	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Spices

Commodity	Today	Prev.
Spices	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Herbs

Commodity	Today	Prev.
Herbs	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Fruits

Commodity	Today	Prev.
Fruits	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

Paris Vegetables

Commodity	Today	Prev.
Vegetables	1.50	1.50
Crude Oil	33.89	35.53
Gold	375.00	375.00

U.S. / AT THE CLOSE

Analysts' Outlook for Disney Is Dim

NEW YORK (Combined Dispatches) — Several Wall Street analysts cut their earnings estimates for Walt Disney Co. after Disney reported fourth-quarter earnings that were in line with or slightly below estimates.

Disney chief executive Michael Eisner, who has cut into theme park attendance, traders said. Lisebeth Barron at S.G. Warburg & Co. said she lowered her 1991 earnings estimate to \$6.45 a share from \$7.05. At Salomon Brothers, Margo Vignola cut her estimate to \$6.95 from \$7.25.

After a drop of \$1.75 a share, to \$89.375, in early trading Friday, Disney stock rebounded, closing up \$1.375, at \$90.75. (Reuters, AP)

Delta Expects 2d Period Loss

NEW YORK (Reuters) — Delta Airlines Inc. said Friday that sharply higher jet fuel costs and continued sluggishness in the U.S. economy will likely result in a second-quarter loss.

The airline reported a first-quarter loss in late October of \$51.6 million. "The pressures that caused the loss in the October quarter probably will produce similar results in the second quarter," said a Delta spokesman, Bill Berry. He said he could not estimate the size of the probable loss.

Mr. Berry said he could not provide an earnings outlook for the full fiscal year, which ends in June, citing uncertainty over jet fuel prices and the direction of the U.S. economy.

EDS Announces Accord With Saab

DALLAS (UPI) — Electronic Data Systems Corp. announced a \$300 million agreement on Friday with Saab Automobile AB of Sweden, under which EDS will handle all systems-information work and future-applications development for Saab.

The 10-year agreement also includes the transfer of 250 Saab data processing employees to EDS, a subsidiary of General Motors Corp. The accord is a first for EDS in Sweden.

"The agreement with Saab Automobile is a natural progression for our business in Europe and further enforces our push into the important Swedish market," said Juergen Berg, EDS managing director for Europe.

Apple Names Spindler as President

CUPERTINO, California (Reuters) — Apple Computer Inc. said it named its chief operating officer, Michael Spindler, to the additional position of president, and nominated him for a director's seat.

Mr. Spindler, who became chief operating officer in February, takes over the president's title from John Sculley, who remains chairman and chief executive.

Joseph Graziano, chief financial officer, and Albert Eisenstat, secretary, were each named executive vice presidents, the computer company said.

Two Charged With Insider Trading

HARTFORD, Connecticut (AP) — Two men were charged with fraud in an alleged insider-trading scheme in which prosecutors claim they traded stocks based on information obtained from advance copies of Business Week magazine.

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Enimont Shares Sequestered

Court Move by ENI Adds New Twist to Battle for Control

MILAN — A Milan court temporarily sequestered on Friday the controlling stakes in the chemicals venture Enimont SpA owned by Montedison SpA and Eni Nazionale Idrocarburi.

Private-sector Montedison and state-owned ENI, which each own 40 percent of Enimont, have been feuding for control of the venture for nearly a year.

The request to sequester the shareholdings was made by ENI, in what appeared to be an attempt to block Montedison's bid to gain control of the troubled joint venture.

Slightly more than half of the remaining 20 percent Enimont shareholding is held by three allies of Raul Gardini, whose Ferruzzi Finanziaria SpA controls Montedison.

The remaining shares are traded on the Milan Stock Exchange, but the exchange's regulatory watchdog, Consob, suspended the shares Friday following the announcement.

Mr. Gardini recently rejected conditions set by state-owned ENI

for the sale of its Enimont stake to Montedison. He said after the rejection that Montedison now would try to manage the Enimont joint venture by itself.

In a tactical move last month, Montedison's representatives on the Enimont board resigned, forcing ENI's representatives to do the same.

Key Enimont shareholders' meetings had been called for next Monday and Wednesday, but it was not immediately clear if the sessions would be held now the shareholdings have been sequestered.

At those meetings, Mr. Gardini and his allies were expected to use their majority of the shareholdings to try to secure a working majority of the board.

A shareholders meeting has also been summoned for Jan. 8 and 9 to consider an increase in Enimont's capital of up to 8.5 trillion lire (\$7.6 billion).

Judge Diego Curto named a custodian for the 80 percent share-

holdings, as custodian of the shareholdings.

Both Enimont and Montedison shares dropped after news of the court decision. Before its shares were suspended, Enimont fell below its nominal value of 1,000 lire to 985, after having gained nearly 2 percent at the official close. Montedison finished late trading at 1,080 after having closed 10 higher at 1,135.

The suspension added to the already bearish sentiment on the Milan stock exchange, pushing the MIB index down 0.39 percent to 774, a new low for the year. The index fell 4 percent on the week.

Beleaguered Enimont, one of the world's top 10 chemicals groups, has not only been suffering from its shareholders' feuding; The Gulf crisis has made the raw materials that go into many of its chemicals much more costly.

Analysts say the lack of a clear majority owner was hurting the company even before Iraq's Aug. 2

Kvaerner Wins Major Share In Masa-Yards

OSLO — The Norwegian engineering firm Kvaerner A/S said Friday it had agreed to pay at least 200 million kroner (\$34.3 million) for a stake that will give it control over the Finnish shipbuilder Masa-Yards Oy.

Kvaerner said it was buying 72 percent of the investment company Clavis Maris Finlandia Oy, which owns 52 percent of shares in Masa Yards. The other 28 percent of CMF is owned by Masa Yards.

Kvaerner will have rights to buy an extra 10 percent of Masa within one to two years, a statement said.

Kvaerner said that it could buy the 10 percent stake from a Finnish group. Other shareholders in Masa are U.S. Carnival Cruise Lines and the Finnish state, it added.

Masa took over the facilities of Finland's Wartsila Marine, which collapsed in October 1989.

Unilever Profit Hit In North America

Compiled by Our Staff From Dispatches

LONDON — Unilever, the Anglo-Dutch consumer products company, announced a smaller-than-expected rise of 8 percent in third-quarter pretax profit as strong growth in Europe was offset partly by a sharp decline in North America.

Pretax profit rose to \$488 million (\$957 million) in the three months ended Sept. 30 from \$452 million a year earlier. Analysts had been forecasting profit of \$500 million to \$525 million.

Net profit rose 11 percent to \$290 million from \$261 million. Sales rose 9 percent to \$5.75 billion from \$5.28 billion.

Sir Michael Angus, the company's chairman, said parts of the North American foods business faced strong competitive pressure and lower demand, and provisions were made in the quarter for the cost of improving their performance.

Operating profit in North America slumped to \$74 million, or 6 percent of sales, from \$116 million, or 10 percent of sales, a year earlier.

"The figures in the U.S. are a minor disaster especially when you think the economy there is worsening every quarter," said Rolf Goossens, an analyst of brokers Van Meert James Capel in Amsterdam.

Thomas Thomsen of Pierson, Hirding & Pierson said Unilever took a provision of about \$40 million to restructure its Lipton food business. "Lipton's tea and soup activities are part of an almost saturated market so they are trying to improve their cost structure," he said.

In Europe, Sir Michael said volume and margins improved significantly, with strong contributions from ice cream and good growth in German consumer businesses. Results were enhanced by the sale of oilseed-milling operations in Britain and Germany, he added.

Operating profit in Europe rose 27 percent to \$375 million from \$295 million, as margins rose to 11.1 percent from 9.4 percent.

"Results in Europe were much better than expected especially in Germany, thanks to reconfiguration," Mr. Thomsen said.

Outside North America and Europe, progress was broadly based but there was a difficult competitive environment in Japan, Sir Michael said. Operating profit rose 23 percent to \$116 million, as sales gained 17 percent to \$1.13 billion.

The results depressed Unilever shares in London. They dropped 9 pence to 613 after reporting lower third-quarter profits.

Mr. Thomsen left his forecast for 1990 net profit unchanged at 13.5 guilders a share, while Mr. Goossens kept his forecast at 13.25 guilders. Unilever earned 11.59 guilders a share in 1989.

For the first nine months of the year, pretax profit rose 5.6 percent to \$1.33 billion from \$1.26 billion. Sales rose 12 percent to \$16.58 billion from \$14.79 billion.

(Reuters, AP)

Investor's Europe			
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40	
200	250	200	
150	200	150	
100	150	100	
50	100	50	
0	50	0	
1989	1990	1990	
Exchange	Index	Index	Change
Amsterdam	114.82	514.44	-0.38
Brussels	1381.49	1369.44	+0.88
Frankfurt	693.48	694.28	+1.55
Helsinki	411.00	408.40	+0.64
Ljubljana	1582.80	1574.90	+0.49
London	2040.80	2036.20	+0.22
Madrid	1672.83	1589.88	-0.19
Milano	774.00	777.30	-0.42
Paris	1572.83	1589.88	-0.19
Stockholm	814.99	823.59	-1.04
Vienna	500.33	502.71	-0.47
Zurich	550.40	516.00	-0.85

Sources: Reuters, AP

EC Accounting Changes To Benefit Smaller Firms

BRUSSELS — European Community ministers have amended two accounting laws to simplify requirements for small and medium-sized companies.

"The object is to make accounts more transparent and to reduce bureaucratic burdens," a spokesman for the EC's executive commission said Friday.

Beginning in 1993, the amendments will give firms with annual sales of 4 million to 16 million European currency units (\$5.4 million to \$21.9 million) the option of publishing their annual accounts in Euros, a right already enjoyed by major corporations.

The amendment, approved Thursday, modifies the EC's Fourth and Seventh Company Law Directives of 1978 and 1983, which allowed EC states not to require smaller companies to publish profit statements or to face regular audits.

Usinor Agrees to Buy Smelters from Hoersch

PARIS — France's state-run steelmaker, Usinor, has agreed to buy Hoersch AG's smelting units for an undisclosed price.

The purchase involves Schwinn AG, based in Hamburg in Saarland, and the Eckessey plant of Hoersch-Rothe-Erde in the Ruhr. Their combined output is 30,000 tons a year worth 136 million Deutsche marks (\$91 million). Usinor's smelting unit, Ascometal, had output last year of 60,000 tons.

Mr. Thomsen left his forecast for 1990 net profit unchanged at 13.5 guilders a share, while Mr. Goossens kept his forecast at 13.25 guilders. Unilever earned 11.59 guilders a share in 1989.

For the first nine months of the year, pretax profit rose 5.6 percent to \$1.33 billion from \$1.26 billion. Sales rose 12 percent to \$16.58 billion from \$14.79 billion.

(Reuters, AP)

STREET: Executives Feel the Pinch as Firms Start Cutting Their Muscle

(Continued from first finance page)

Wall Street firms collected a mere \$1.53 billion in underwriting fees in the first three quarters, down by more than half from the comparable 1989 period to the lowest levels in six years, according to Securities Data Co.

"If you look at the classic investment banking and securities business, your main-line products are not profitable anymore," said Max C. Chapman Jr., co-chairman of Nomura Securities in New York.

As a result, some firms, including Merrill Lynch & Co. and Shearson Lehman Brothers, are reorganizing their operations to cut costs. In the last two weeks, Merrill Lynch has replaced its two corporate entities, corporate markets and capital markets, with six divisions in a move that has trimmed layers of management and is expected to result in dismissals of several hundred employees. Merrill also dismissed about 50 of its nearly 600 investment bankers last week.

Some firms, like Prudential-Bache Securities Inc., which had hoped to ride out the downturn by paring unprofitable businesses, are now abandoning lines they once viewed as essential, like investment banking.

Even the elite Morgan Stanley & Co. announced last week it would dismiss 6 percent of its 800-member investment banking staff, marking the first time an investment banking house of Morgan's caliber has conceded that the environment warrants cutbacks.

Dismissals are coming so fast that Wall Street executives are having trouble tracking their members. Some industry executives estimate that at least 4,000 Wall Street people lost jobs in the third quarter.

Even top-level executives who once thought they held safe positions are now holding pink slips instead, as cuts are coming increasingly from the ranks of managing directors rather than from the lower levels.

Another problem for the firms is trying to function in the new, rougher environment with a work force made up of thousands of young executives who came into the business in the 1980s and are now experiencing their first downturn, as well as older executives who have forgotten how to maneuver in hard times.

In addition to leaving businesses, many firms are also moving out of the huge offices they leased in the 1980s, and some, including Mor-

gan Stanley, Prudential Bache and Smith Barney, are considering leaving Manhattan to cut costs.

The only firms that appear prepared to handle Wall Street's dry season, industry executives and analysts said, are those, including the smaller regional firms, that were richened during the 1980s for not pushing their way into expensive, fee-generating businesses like mergers and acquisitions.

Another group doing well is the niche players, like the smaller merchant banking operations that have appeared around Wall Street in recent years. Organizations like Blackstone Group, one of the better-known boutiques, have done well by keeping overhead modest while still expanding overseas through a series of relationships with foreign financial institutions.

"Guys that never got carried away in the late 1980s, but stayed close to the ground, kept their head count and houses small and kept doing what they do best seem well positioned now," said Thomas Carroll, director of the securities industry in New York for KPMG Peat Marwick, the accounting firm.

Philips to Set Semiconductor Activity Apart

EINDHOVEN, Netherlands — Philips NV said Friday that it would separate its semiconductor activities from its troubled components division as part of a major restructuring.

"Philips intends to establish a new product division for its semiconductor activities," the Dutch electronics group said, "so that it can react better to the competitive changes in this market."

The company's component division, which currently employs about 75,000 people worldwide, will continue to produce display components, magnetic products and liquid crystal displays.

But the company said about a third of the present staff in components would be transferred to the new semiconductor division.

In October, Philips announced that it was cutting 55,000 jobs worldwide, including 4,000 in the components division.

Belgium Seeks to Cut Sabena Stake

BRUSSELS — Belgium said Friday that it wants to reduce its stake in Sabena, parent company of the state-controlled airline, but that it hopes the private sector will step in to keep majority control in Belgian hands.

Jean-Luc Dehaene, the minister of communications and institutional reforms, said the government would keep a blocking minority, which under Belgian law is 25 percent. He added that a new manager is to formulate proposals by the end of January to secure new capital for Sabena.

Sabena is now a holding company with a 60 percent stake in the operating company Sabena World Airlines, a joint venture created in January when British Airways and the Dutch airline KLM each took a 20 percent share.

The state owns about 53 percent of Sabena. The rest is held by public and private concerns, which are guaranteed a return on investment despite the company's poor financial performance.

Although Sabena's net profit nearly doubled in 1989, its core airline business had an operating loss of 1.36 billion Belgian francs (\$40 million).

The venture with BA and KLM

was expected to bring Sabena the financial backing it desperately needed. But the European Community's executive commission has opposed the deal, casting doubts on its viability.

The EC transport commissioner, Karel Van Miert, reiterated this week his support for the deal amid reports that American Airlines was interested in Sabena.

Sir Leon Brittan, the EC competition commissioner, has said that the three airlines would have to make concessions to create a competitive aviation market.

Mr. Dehaene said he hoped for a

Trusthouse in Venture To Run Warsaw Hotel

LONDON — Trusthouse Forte PLC is setting up a joint venture with Poland's Orbita tourist agency to renovate and privatize Warsaw's Hotel Bristol, the International Finance Corp. said Friday.

The World Bank affiliate said it will lend 17 million Deutsche marks (\$11.4 million) to the \$45 million project.

(Reuters, AP)

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Belgium B.F.	03/2710304	5,400	2,972	3,000	1,600
Denmark D.K.	0044/4.83543	11,000	7,200	6,000	3,300
Finland F.	99044/8.83543	3,100	1,268	1,200	620
France F.	06/437437	1,600	1,312	880	465
Germany (mail) D.M.	013.02325	600	419	330	182
Great Britain G.	0800/700600	758	261	339	204
Greece (mail) Dr.	011/51.29005	150	105	82	45
Ireland I.R.	—	40,000	22,800	22,000	12,000
Italy I.	—	30,000	22,800	20,000	15,000
Japan J.	—	135	118	85	47
Luxembourg L.F.	32/3.2710304	450,000	350,800	250,000	136,000
Netherlands N.	055/212329	11,000	7,200	6,000	3,300
Norway (mail) N.K.	09546/8.83543	600	419	330	182
Portugal P.	0034/1.551085	2,500	1,868	1,400	770
Spain (mail) Ptas.	—	3,000	1,368	1,650	910
Sweden (mail) S.Kr.	08/83543	31,000	30,900	17,000	9,300
Switzerland S.F.	046/055757	25,000	25,000	19,200	10,600
Rest of Europe, N. Africa, Form. French Africa, Middle East	—	38,000	22,600	20,900	11,500
Rest of Africa, Gulf States, Asia	—	51,680	—	25,740	12,870
Central/Latin America	—	2,200	1,440	1,210	665
	—	2,880	840	1,540	850
	—	500	446	275	150

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NYSE

Friday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

19 Month	Stock	Div.	Yld.	PE	52 Wk. High	Low	1st Adv.	Chg.
19	IBM	3.12	4.1	12.5	125	115	125	+10
20	AT&T	2.12	4.1	12.5	125	115	125	+10
21	GE	1.12	4.1	12.5	125	115	125	+10
22	Westinghouse	1.12	4.1	12.5	125	115	125	+10
23	General Electric	1.12	4.1	12.5	125	115	125	+10
24	Westinghouse	1.12	4.1	12.5	125	115	125	+10
25	General Electric	1.12	4.1	12.5	125	115	125	+10
26	Westinghouse	1.12	4.1	12.5	125	115	125	+10
27	General Electric	1.12	4.1	12.5	125	115	125	+10
28	Westinghouse	1.12	4.1	12.5	125	115	125	+10
29	General Electric	1.12	4.1	12.5	125	115	125	+10
30	Westinghouse	1.12	4.1	12.5	125	115	125	+10

81%	25%	SmearC	1.20	4.1	50	30	27	+	14
25%	8%	SmearC	32	4.1	4	174	9%	84%	+
8%	4%	StorRs	-	-	131	44nd	37%	4%	+
17%	61%	StorEn	80	12.1	4	108	6%	64%	+
35%	11	StorTc R	-	-	1668	17%	164%	17%	+
29	14%	Stratus	-	-	12	9%	19%	19%	+
30%	14%	SIRIRI	80	17	12	40%	34%	23%	+

صكبات الأهل

FIRST COLUMN

Charging For Cash Or Plastic

WHEN someone agonizes over a step that you would normally take as a matter of routine the reflection offers itself. The practice may be automatic, but is it the best? The American retail and consumer credit systems now have such an opportunity, afforded by their British cousins.

After the usual lengthy period of silent deliberation the British bureaucracy has announced it is in favor of allowing retailers to charge different prices for their products or services, depending on how the consumer chooses to pay for them. Credit card companies charge retailers a percentage, and this cost may be passed on to the consumer, starting early next year.

That will seem like a less than revolutionary development to U.S. nationals who have been to a gas station in modern times. A two-tier price structure for plastic and cash is accepted as quite normal.

The British divisions of the international credit card companies are understandably not pleased by the move.

THE credit card companies argue that they are being discriminated against unfairly. Every type of payment has its handling costs — personal checks have to be processed, cash has to be counted, stored safely and freighted around.

The retailers see it as an unnecessary complication of their business. Offering the same article at different prices makes for more paperwork and can only add to the frustration of the consumer who may well want to know the reasons for the different prices.

The consumer bodies are concerned that retailers may choose not to discriminate between cash and plastic. The retailers of course can choose whether to pass on the costs of the transaction or not. The worry is that they may well take the opportunity to round their charges up to reflect the commissions demanded by the card companies, and yet maintain the price equality with cash by increasing the cash price.

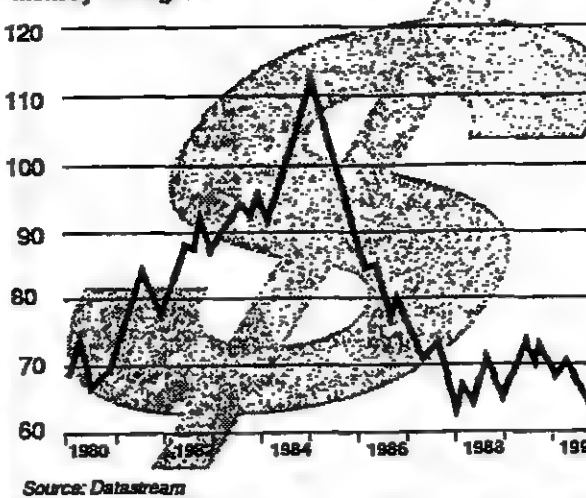
But higher charges are to be welcomed if they make consumers more aware that plastic really is money, not just a painless wipe-through or a quick signature. Perhaps, in this case, the American way is best.

The Dollar's Rise and Decline

Managed currency funds ranking over five years to Nov. 1, 1990, excluding charges, income reinvested.

Grofund Managed Currency	283.55
Allied Dunbar Managed Currency	223.80
Guinness Flight OSF Managed Currency	223.50
Guinness Flight F Managed Currency	222.32
Sun All Int'l International Currency	205.91
Mercury MMT U.S. Dollar Managed	200.45
F&C RAF-B Multicurrency Cash	198.61
EBG Amro TCF Capital	198.65
Grofund Managed Currency	195.12
Old Court IRL Managed U.S. Dollar	188.77
Holborn Currency Managed Dollar	187.84
Vanbrugh CF Income A	185.24
Vanbrugh CF Growth D	184.35
MIM Britannia Dollar Managed Currency	183.00
Vanbrugh CF Income B	182.95
EBG Amro TCF Income	177.97
Holborn Currency Managed Sterling	172.22
Hambros CF Sterling Managed	169.61
Provident Capital International Currency	168.15
Hambros CF U.S. Dollar Managed	168.10
Scimitar WMF Sterling Managed	168.58
Ermitage Cash	168.25
Scimitar WMF U.S. Dollar Managed	168.35
Brown Shiley International Currency	163.29
Old Court IRL Managed Sterling	163.29
Hill Samuel ICF Sterling Managed	161.69
Source: Miroslav	

The Bank of England's trade weighted U.S. dollar index, monthly averages.



Source: Datastream

Is the Dollar Worth Locking Into?

By Martin Baker

THE dollar's punishment continues. This week the U.S. currency hit an all-time low against the German mark. Against the French franc it was traded at its lowest rate for nine years, and it was at its weakest for almost two years against the Japanese yen.

The graph of the dollar's value against a wide range of currencies tells its own story: the greenback doesn't buy what it used to.

The alarming slump in the dollar's fortunes since its high point in 1985 leaves the individual with assets or income priced in dollars feeling poor and asking questions. And the most important question should be — is there any protection?

The easy answer comes with the benefit of hindsight. The investor who purchased non-dollar assets, such as French shares, Japanese property or German bonds, will almost certainly have made good profits if the purchase was made five years ago when the dollar was relatively strong.

But the dollar-based investor who wants to be ultra-cautious will buy financial assets with little or no capital risk, such as deposit accounts. That way one level of risk — how the local property or share market performs — is stripped out.

The risk can be spread further by investing

in a currency fund. The strategies of currency funds vary widely. Some commit money to bonds, which have a variable capital value. But many invest solely in high-yielding deposit accounts, where the only risk to capital is the remote possibility of bank default.

The basic idea of the currency fund is to protect the value of the investor's base currency against other currencies. This is usually done simply by investing in a spread of currencies. Again, this practice is not universal; the best performing currency fund, the Grofund managed by Allied Irish Bank, is currently almost exclusively invested in the British pound.

The table with this article shows the returns made by the better managed currency funds over the last five years. Only the top performers — in other words those who got it right — are listed, but the average return for the funds is \$166.43 over five years.

So the first question is easily answered. There is a way of protecting dollar assets. Currency funds provide it, and with hindsight they were a good buy five years ago.

But the hard question for the dollar-based investor is whether today's dollar value is worth locking into. Has the dollar finally bottomed out?

If it has, currency funds have little to recommend them.

"If the dollar is your base currency, and it is strong, the managed fund will almost never outperform other currencies in dollar terms," said Philip Saunders, the investment manager of the Guernsey-based Guinness Flight currency funds.

Mr. Saunders believes that the dollar has further to fall in the short term, and will not pick up until it touches 110 against the yen and 1.40 against the mark.

Garth Evans, the director responsible for currency strategy at NM Rothschild Asset Management, believes that the U.S. currency is already undervalued against the European currencies and the yen, but he too believes it will fall further — down as far as 1.35 against the mark — before it bounces back.

Orla O'Grady Walsh, a currency strategist for Grofund, points out that the "dollar has to bottom out some time. It can't go on falling for ever." She foresees investors returning to the dollar sooner rather than later, but as "cautious buyers".

Predicting the dollar's future is a tight call in the short term.

But one key factor in deciding whether or not to buy must be the liabilities of the investor. Those with properties in Germany — and Deutschemark bills to pay — should already have counterbalancing assets in that currency. A golden rule of financial management is to balance assets against liabilities.

Playing the Paris Index Under American Rules

By Conrad de Aenlle

THE crowded shelves at the financial supermarket grew a little more cramped Monday as the American Stock Exchange began trading put warrants on the CAC-40, the principal index of stocks on the Paris Bourse.

The warrants are essentially a bet that the French market will fall, for their value goes up as the CAC-40 declines.

Warrants are a little like stocks and a lot like options. Their two key features are leverage — in that they react strongly to relatively minor moves in the index — and a limited trading period. But while options expire in a matter of months, warrants trade for years — exactly two in the case of the CAC-40 issue.

And although options suffer from fabled price swings, warrants are less volatile. Still, a move of 10 percent in the CAC-40 might yield a 50 percent change in the warrants' value.

This is the way it works: When the warrants started trading Monday, the CAC-40 was at 1,621. For every 75 points that the index declines from there, the intrinsic value of the warrants increases by roughly \$1.

Movements of the dollar against the franc have no effect on this formula.

The bad news is that the value shrinks by a dollar when the index rises back toward 1,621. Above that level, they are inherently worthless, but they will always have a value in the market until they expire because there is always a chance that they will again be "in the money."

That "premium" shrinks as expiration approaches and as the CAC-40 declines. If, say, the intrinsic value rises to \$10, the premium will likely be close to nothing as the potential reward and leverage have diminished.

As the warrants offer the right, but not the obligation, to "sell" the index, investors are no worse off if the index is at 2,621 than at 1,621. Just as brokerages tell their options clients, an investor can lose no more than the amount he put in — as if that's not so bad.

The CAC-40 warrants were sold by the French banking giant Société Générale. Isabelle de Verdun, an agent in the bank's options and index department in Paris, said the warrants' targeted customers are big institutional traders such as mutual funds.

"A large part of the issue has been sold to U.S. institutions," she said. "It's mainly a market for professionals."

Ms. De Verdun said the bank only offered put warrants because there was little institutional interest in call warrants, which are a

bet on a rising market. That could be because of the utility of put warrants as a hedge for big traders.

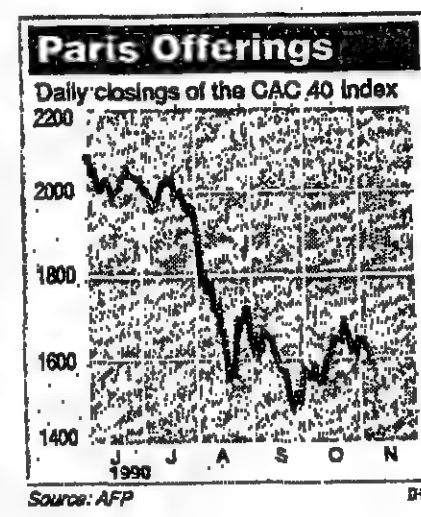
A fund manager with a large portfolio of French stocks might buy put warrants to guard against a falling market, Ms. De Verdun said. A decline in the portfolio's value would be offset by a gain in the warrants.

The CAC-40 warrants are cousins of the several brands of put and call warrants that began trading earlier this year on the Amex based on the Tokyo Stock Exchange's Nikkei average and the Financial Times' 100-stock index in London.

Investors' present enough to have bought Nikkei put warrants when they began trading early this year could have made a 500 percent return on their money, thanks to the nosedive in Japanese stocks.

As Ms. De Verdun said, the CAC-40 warrants are mainly for professionals. Any small investor who might want to try his luck with the warrants should remember that he must not only be right about the direction of the French market, but he must be right, right away. For time, as it is to all of us, is an enemy to these warrants. If the CAC-40 holds at the level at which an investor buys the warrants, their value will erode as expiration nears.

And just so investors know what they're getting, the CAC-40 is an index of 40 French blue-chip companies, or at least it's supposed to be. Ms. Verdun noted that until a replacement is found for Dumez, which was absorbed recently in a merger with Lyonnais des Eaux, the index might more accurately be called the CAC-39.



Source: AFP

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and the Crédit Agricole Bank

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THE MONEY REPORT

The Best of Times for Buying a Yacht

By Robert C. Siner

LOOKING for that special Christmas gift for your family? How about a yacht? It's not as outrageous as it might seem; after all a yacht is just a boat with a fancy name. And if you are seriously thinking about buying a mid-sized boat, 25 to 40 feet (7.6 to 12.2 meters), this may be the time to make the purchase.

An air of desperation pervades much of the boating industry, which has seen sales decline 42 percent in five years.

But this worst of times for the boating industry is probably the very best of times for boat buyers. During the next few months, industry sources agree, the prices of most new boats will have to rise. No industry turnaround is expected

nor is this one of those sales gimmicks. It is the effect of the oil crisis and the luxury tax enacted into law last month.

Fiberglass is basically a petroleum-based product so when the price of oil goes up, as it has in the past few months, the price of new boats has to go up right along with it. The just-enacted luxury tax will add 10 percent to the price of any boat costing more than \$100,000. This may seem to apply to only a small number of very expensive boats, which account for a fraction of boat sales, but this is not the case.

According to Phil Keeler, executive director of the Marine Retailers Association, that price range represents about one-quarter of the market.

David Broom of the National Marine Manufacturers Association explained that boat builders are now operating "very close to the margin" and just cannot absorb the effects of the new tax and the oil crisis. Yacht sales depend on consumers with lots of disposable income and confidence that a strong economy will enable them to earn even more. But with the deficit and the S&L crisis, the economic outlook is uncertain and consumer confidence is drifting out of sight.

These problems are compounded by competition from a vast pool of used boats. Larry Jones of the retailers association said that probably 90 percent of all the fiberglass boats built in the past 30 years are still afloat and it seems "that half of them are for sale." Since yacht designs change little from year to year a recent model used boat may be almost identical to a new boat while costing substantially less. Other used boats may be old and tired but they still represent a viable option for cost-conscious boat buyers. Adding insult to injury, the luxury tax does not apply to sales of used boats.

The softest segment of the market, boat dealers and marine trade industry officials agree, is the mid-range — boats from 25 to 40

feet in length and \$40,000 to \$200,000 in price. This is the area where the best deals on new boats should be available. Comments by dealers at the Annapolis boat shows seemed to bear this out.

In their pre-opening pep talks to sales people managers emphasized rebates, price cuts, and package deals. As the shows price reductions were widely evident. Getting a five- or six-year old boat for half of what a new boat cost is not impossible, though it may take some hard bargaining. Boats 10 years old and more will cost much less, but a buyer has to be very careful about the costs of refurbishing and upgrading. On an older powerboat the major expense will probably be the engines.

Before you start, you should set an upper limit on just what you will pay for the boat including all the items you need to add, replace, repair or recondition. Add a contingency factor of up to 50 percent for unexpected costs. The difference between the estimated cost of all the repairs and upgrading and the total amount you have to spend is the amount you can spend for the boat itself. This will give you an idea of what kind of offer to make. It may be far below the asking price but it should at least provide a start for negotiations. Once a boat gets beyond five or six years old, its price is determined by its condition rather than its age. A well-maintained 20-year-old boat will probably go for more (and be a better buy) than a 10-year-old boat that has been allowed to deteriorate.

There is one segment of the boating industry that has not been affected by the downturn. Top of the line custom and semi-custom boatbuilders like Hinckley, Alden, Concordia, Bertram and Donzi have more orders than they can fill. These boats generally start at about \$500,000 and go up from there. No deals here but if you can afford it you can have a boat made to order with the best materials and craftsmanship.

- 1- Restoring hull to new condition: \$5,280
- 2- Sand and paint bottom: \$1,009
- 3- Upgrade primary winches to self-tailing: \$2,700
- 4- Parts for engine overhaul: \$1,292
- 5- Fully-battened mast: \$3,431
- 6- 150 % Genoa Jib: \$2,505
- 7- Roller furling gear: \$2,508
- 8- Refurbishing Freshwater and 3 Genoa: \$516
- 9- VHF radio: \$219
- 10- Loran: \$489
- 11- Chartlink: \$1,600
- 12- Wind and direction, depth, boat speed: \$1,112
- 13- Replace lower shrouds and forestay: \$960
- 14- Cockpit cushions: \$695
- 15- Sail covers: \$432
- 16- Interior cushions: \$1,514
- 17- Cockpit dodger: \$757
- 18- Pressurized water system and waterheater: \$550
- 19- Head and fittings: \$356
- 20- Interior lights: \$211
- 21- Solar vents: \$162
- 22- Stove: \$423

Note: actual costs paid by an owner

- 23- Labor for an overhaul: \$1,600
- 24- Hydraulic backstay adjuster: \$852
- 25- Running lights to comply with new law: \$150

Total: \$32,063

Major costs of refurbishing a 10-year-old 40-ft. sailboat

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Over one year to Nov. 1, 1990

Gaia Currency Hedge II	311.34
Trans World Future Pool	181.75
Morgan Grenfell Japan Smaller Cos.	178.45
Danske Invest Denmark	167.12
Kestrel Limited	156.71
Tyndall Managed Currency Sterling	154.03
FEH-Universal-Fonds-IF	152.19
Schroder Japanese Smaller Companies	151.53
Immo-croissance	150.63
NM Sterling Deposit Life	148.87
Stewart Mory PEP	147.25
Hazard UK Sterling Deposit	146.83
Henderson HF Sterling Liquidity	146.08
GAMUT Investments	145.00
Unilevers FCF	144.99
North Star High Performance	144.88
Gaia Currency Hedge I	143.81
F&C RAF X Sterling Cash	143.61
Schroder Japanese Units CFC	142.79
Govett Flexfund Sterling Cash	142.73
Hambros CF Sterling Share	142.73
McD Forex	142.68
Lezard International Income Sterling	142.50
Equitable LF Sterling	142.50
Grolund Managed Currency	142.50

Over five years to Nov. 1, 1990

JP Philippe	788.75
Morgan Grenfell Japan Smaller Cos.	663.06
Schroder Japanese Smaller Companies	651.07
NM Japan Smaller Companies	586.57
JP Japan	565.13
GAM Japan	547.16
NM PSF Japan Smaller Companies	527.95
NM Japan Smaller Companies Ltd	511.50
Kleinwort Benson Japanese Special	477.92
Hambros EQUUS Japan	464.55
Lazard Japan	456.25
GT Horshu Pathfinder	453.87
Dunedin Japan Smaller Companies	453.89
Hambros EQUUS Japanese Enterprise	441.06
Irish Life Irish Equity 4	433.60
MTM Britannia Japan Smaller Cos	432.65
GT Japan Growth Smaller Companies	429.94
PG Energy	426.81
Sun Life Japan Growth	425.62
GAM Pacific	422.57
JP Japan Smaller Companies	415.57
Especc	415.09
Fidelity Japan Special Situations	411.13
Equitable Far Eastern	410.34
Schroder Tokyo	408.80

Source: Micropal

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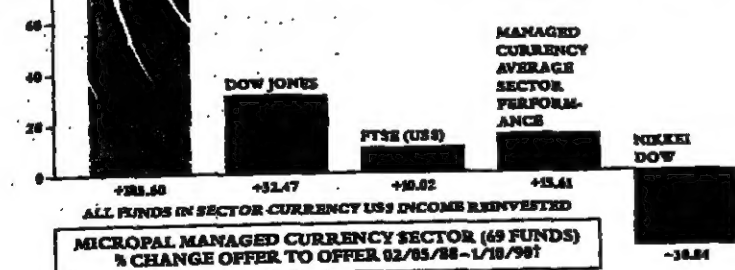
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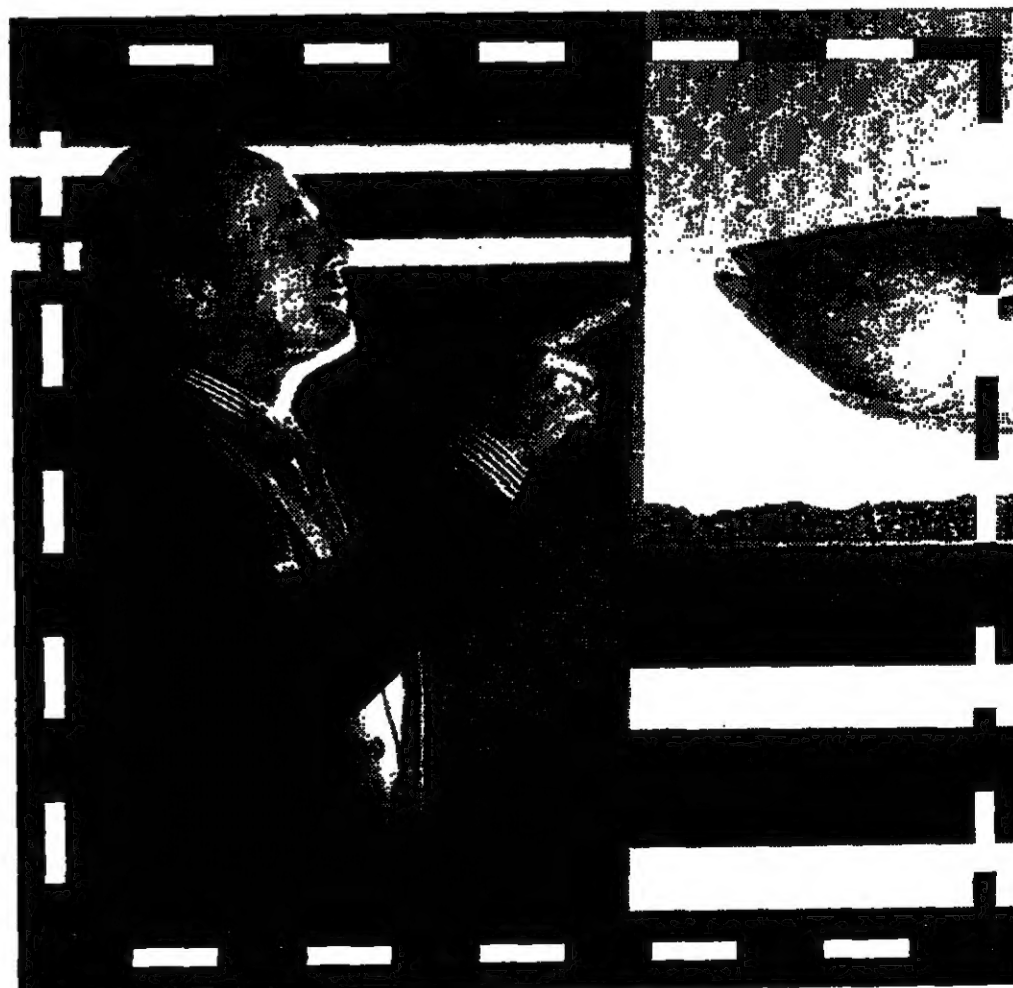
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SPORTS

Watching Redskins-Eagles II: A Wild-Card Berth at Stake?

By Thomas George

New York Times Service

NEW YORK — The Washington Redskins' rematch against the Eagles on Monday at Veterans Stadium in Philadelphia probably won't affect the National Conference East title chase.

The Redskins (5-3) have lost twice to the New York Giants (8-0), and although Philadelphia (4-4) has a Nov. 25 home game with New York, it has already dropped a game to the Giants.

The Redskins and the Eagles concede that if the Giants lose half of their remaining eight games — and

NFL PREVIEW

if either Washington or Philadelphia wins its final eight and thus the division — it would qualify as a miracle.

Three National Conference wild-card spots are up for grabs, however, and the Redskins and the Eagles figure prominently in that race.

The game Monday will offer the same hard-nosed, big-play football that has always characterized the teams' meetings, but with a twist: at quarterback for Washington, Jeff Rutledge, who at age 33 is in his 11th season, will make his 12th NFL start and his first since 1987.

And the Rutledge-Randall Cunningham faceoff at quarterback should change the game's nature.

In the teams' first meeting of 1990, on Oct. 21, Washington won, 13-7, in a defensive-minded tussle where the Redskins asked the quarterback, Stan Humphries, to keep things simple and protect the football.

Since losing Mark Rypien to a knee injury early in the season, the Washington coach, Joe Gibbs, has wavered in his confidence in Humphries's ability to throw downfield accurately.

Last Sunday, with Washington facing a 21-point deficit against the Detroit Lions, Gibbs tossed his inhibitions and Humphries asked. Rutledge entered the game in the second half and threw for 363 yards and a touchdown on a variety of intermediate and deep passes, and the Redskins ended up winning, 41-38, in overtime.

With the Eagles' offense fresh from a 48-point outburst against New England in a game in which Cunningham accounted for five touchdowns, expect more points to be scored in this Redskins-Eagles game.

Cunningham was sacked five times by Washington in the first game, but Philadelphia did not sack Humphries, and did not manage a turnover. Rutledge, though mobile, is not as elusive as Humphries.

In Rutledge, Gibbs knows what he loses — and what he gains.

"He gets the ball very quick," Gibbs said. "He makes great decisions. He's got great timing and a feel for when to get it in there. And he has football awareness that makes him the kind of quarterback that can get things done. He's also extremely mentally tough. I don't think you'll intimidate him, which is the No. 1 quality I'd like to have in a quarterback." Philadelphia is favored by 3 points.

NATIONAL CONFERENCE

New York Giants (8-0) at Los Angeles Rams (3-5) — In the Rams' losses, their defense has allowed 36 points to Green Bay, 27 to Philadelphia, 34 to Cincinnati, 38 to Chicago and 41 to Pittsburgh. With a

balanced attack, the Giants hope to exploit the Rams, too. New York by 3½.

Atlanta (3-5) at Chicago (7-1) — Running back Neal Anderson is everything to the Bears' offense, but Atlanta's No. 1 priority with an eight-man front is to shut him down. This matchup will reveal where the Bears' passing game stands. Chicago by 8½.

Minnesota (2-6) at Detroit (3-5) — Wayne Fontes, the Lions' head coach, is taking heat for staying with the shoot part of his run-and-shoot offense in the second half against Washington with Detroit leading by 21 points. Dropped passes and misfired ones saved time on the clock and helped the Redskins' comeback. Rodney Peete, with an injured hamstring, is out at quarterback for the Lions. Bob Gagliano is ready, but this would be a good spot for Andre Ware's first start for the Lions, Detroit by 2½.

Tampa Bay (4-5) at New Orleans (3-5) — The Buccaneers will try Chris Chandler at quarterback in place of Vinny Testaverde. New Orleans is a dangerous club when it holds on to the ball. The Saints often don't, however; they rank last in the league in takeaways-giveaways differential at minus-14. New Orleans by 7.

San Francisco (8-0) at Dallas (3-6) — "Our players know that sometimes strange things happen," said Jimmy Johnson, the Dallas head coach. "Granted, it would be a strange thing if we beat the 49ers." It would be especially strange because on Sunday night, Joe Montana will be passing in a secondary that had only one interception in its first six games. San Francisco by 10.

AMERICAN CONFERENCE

Seattle (3-5) at Kansas City (5-3) — The Seahawks beat the Chiefs, 19-7, three weeks ago in the Kingdom, but they haven't won in Arrowhead Stadium in 10 years and have swept their divisional rival only once since, in 1978. Kansas City by 6.

Miami (7-1) at New York Jets (4-5) — Miami has allowed 17 or fewer points in five straight games. The Jets know they can play with the Dolphins, having led, 13-0, at halftime before losing, 20-13, in Miami on Oct. 7. Mark Duper was the hero, scoring on a 13-yard catch with 1 minute, 3 seconds left. Miami by 3.

Denver (3-5) at San Diego (4-5) — The tie and arch injuries on John Elway's left foot will slow him but not prevent him from starting at quarterback against San Diego, a team that hounded him last season as Denver produced only 16 points in both a victory and a loss to the Chargers. San Diego by 3.

Indianapolis (2-6) at New England (1-7) — Can New England beat anyone? Of course it can. The Patriots' victory this season was against the Colts, in the second week, 16-14. The Patriots have beaten the Colts in 11 of their last 13 meetings. A Colt loss here and Ron Meyer could follow Bud Carson into unemployment. New England by 2.

INTERCONFERENCE

Green Bay (3-5) at Los Angeles Raiders (6-2) — The Raiders plan to regroup from last week's loss to Kansas City against a team they have dominated since losing to Green Bay in Super Bowl II in 1968. Raiders by 6½.

Phoenix (2-6) at Buffalo (7-1) — This game is a mismatch in every way. Buffalo has outscored its opponents by 50 yards and Phoenix has been outscored by 157 yards. Buffalo has allowed only 14 sacks. Phoenix 23, Buffalo by 12½.



Eagles' quarterback Randall Cunningham will try to stay on his feet Monday and avenge a 13-7 loss to the Redskins three weeks ago.

The AFC's Statistical Leaders

TEAM STATISTICS

TEAM	Yds	Rush	Pass	Int	TD
Houston Oilers	3386	1061	1677	10	27
Denver Broncos	2854	970	1294	10	27
Cincinnati Bengals	2854	1037	1389	10	27
Miami Dolphins	2538	939	1299	10	27
Atlanta Falcons	2538	1163	1270	10	27
San Diego Chargers	2538	1152	1254	10	27
Seattle Seahawks	2485	1248	1437	10	27
Raiders	2331	984	1427	10	27
New England Patriots	2156	688	1251	10	27
New England Patriots	2094	944	1440	10	27
Cleveland Browns	2363	991	1772	10	27
Indianapolis Colts	1952	462	1490	10	27

INDIVIDUAL LEADERS

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	1816	546	1280	10	27
Raiders	2057	789	1287	10	27
Pittsburgh	2249	823	1526	10	27
San Diego	2394	800	1596	10	27
Houston	2422	814	1607	10	27
Kansas City	2323	924	1409	10	27
Seattle	2378	939	1439	10	27
Seattle	2677	1115	1562	10	27
Seattle	2460	824	1636	10	27
Denver	2488	858	1628	10	27
Indianapolis	2883	968	1817	10	27
Jets	2168	1138	1029	10	27
Cincinnati	2306	1160	1146	10	27
New England	2948	1201	1747	10	27

Quarterbacks

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	139	713	43	4	6
Allen, Buffalo	123	43	37	4	4
Allen, Buffalo	115	623	54	4	4
Allen, Buffalo	162	556	34	4	4

The NFC's Statistical Leaders

TEAM STATISTICS

TEAM	Yds	Rush	Pass	Int	TD
San Francisco	3887	1169	1782	10	27
Philadelphia	3887	1169	1782	10	27
Washington	3887	1169	1782	10	27
Atlanta	3887	1169	1782	10	27
Chicago	3887	1169	1782	10	27
Minnesota	3887	1169	1782	10	27
Green Bay	3887	1169	1782	10	27
Detroit	3887	1169	1782	10	27
Los Angeles	3887	1169	1782	10	27
New Orleans	3887	1169	1782	10	27
Tampa Bay	3887	1169	1782	10	27
Phoenix	3887	1169	1782	10	27
Dallas	3887	1169	1782	10	27

INDIVIDUAL LEADERS

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	139	713	43	4	6
Allen, Buffalo	123	43	37	4	4
Allen, Buffalo	115	623	54	4	4
Allen, Buffalo	162	556	34	4	4

Quarterbacks

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	139	713	43	4	6
Allen, Buffalo	123	43	37	4	4
Allen, Buffalo	115	623	54	4	4
Allen, Buffalo	162	556	34	4	4

The AFC's Statistical Leaders

TEAM STATISTICS

TEAM	Yds	Rush	Pass	Int	TD
Houston Oilers	3386	1061	1677	10	27
Denver Broncos	2854	970	1294	10	27
Cincinnati Bengals	2854	1037	1389	10	27
Miami Dolphins	2538	939	1299	10	27
Atlanta Falcons	2538	1163	1270	10	27
San Diego Chargers	2538	1152	1254	10	27
Seattle Seahawks	2485	1248	1437	10	27
Raiders	2331	984	1427	10	27
New England Patriots	2156	688	1251	10	27
New England Patriots	2094	944	1440	10	27
Cleveland Browns	2363	991	1772	10	27
Indianapolis Colts	1952	462	1490	10	27

INDIVIDUAL LEADERS

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	1816	546	1280	10	27
Raiders	2057	789	1287	10	27
Pittsburgh	2249	823	1526	10	27
San Diego	2394	800	1596	10	27
Houston	2422	814	1607	10	27
Kansas City	2323	924	1409	10	27
Seattle	2378	939	1439	10	27
Seattle	2677	1115	1562	10	27
Seattle	2460	824	1636	10	27
Denver	2488	858	1628	10	27
Indianapolis	2883	968	1817	10	27
Jets	2168	1138	1029	10	27
Cincinnati	2306	1160	1146	10	27
New England	2948	1201	1747	10	27

Quarterbacks

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	139	713	43	4	6
Allen, Buffalo	123	43	37	4	4
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The NFC's Statistical Leaders

TEAM STATISTICS

TEAM	Yds	Rush	Pass	Int	TD
San Francisco	3887	1169	1782	10	27
Philadelphia	3887	1169	1782	10	27
Washington	3887	1169	1782	10	27
Atlanta	3887	1169	1782	10	27
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Green Bay	3887	1169	1782	10	27
Detroit	3887	1169	1782	10	27
Los Angeles	3887	1169	1782	10	27
New Orleans	3887	1169	1782	10	27
Tampa Bay	3887	1169	1782	10	27
Phoenix	3887	1169	1782	10	27
Dallas	3887	1169	1782	10	27

INDIVIDUAL LEADERS

PLAYER	Yds	Rush	Pass	Int	TD
Allen, Buffalo	139	713	43	4	6
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Quarterbacks

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BOOKS

STANLEY: The Making of an African Explorer

By Frank McLynn. 411 pages. \$23.95. Scarborough House, Briarcliff Manor, N. Y. 10510.

DARK SAFARI: The Life Behind the Legend of Henry Morton Stanley

By John Bierman. 416 pages. \$24.95. Alfred A. Knopf, 201 East 50th St., New York, N. Y. 10022.

Reviewed by Byron Farwell

HENRY M. STANLEY, the famous explorer who is the subject of these new biographies, was born in Wales in 1841. Named John Rowlands, after his presumed father, he passed most of his childhood in a Welsh workhouse until at 15 he shipped out on a freighter bound for New Orleans. There he jumped ship and was befriended by Henry Stanley, a prosperous merchant whose name he assumed. The Civil War found young Stanley clerking in a store in Arkansas. He enlisted in the Confederate Army, was captured at Shiloh and imprisoned in Chicago. To escape the horrors of prison he changed sides, but he carried a prison infection with him and was soon discharged as physically unfit. On his recovery, he enlisted in the Union Navy, which he deserted before the war's end.

After an ill-planned and ill-fated journey to Turkey, where he was robbed of all he possessed, he found his way to the American Far West, where he freelanced articles for various newspapers. Impressed by his reports, James Gordon Bennett, the owner of the New York Herald, sent him (at his own expense) to cover a British military expedition to Abyssinia. Through bribery and good luck, his dispatches brought the first news of the campaign to Europe and America, a coup that won him a permanent place on the Herald payroll.

At Bennett's instigation, he set off into the African interior to seek David Livingstone, a Scottish missionary and explorer of whom there had been no word for more than a year. Through pluck and great luck, he found Livingstone on the shore of Lake Tanganyika, a meeting immortalized by his words: "Dr. Livingstone, I presume!"

Livingstone died while Stanley was in West Africa covering a British campaign against the Ashantis. In 1874 the Herald, in conjunction with the London Daily Telegraph, chose him to complete Livingstone's geographical work. On this expedition he circumnavigated both Lake Victoria and Lake Tanganyika, and then followed the Congo River to the Atlantic. The entire expedition lasted 999 days and was, says Frank McLynn, "the greatest feat in the entire history of the exploration

of Africa and one of the greatest achievements in all exploration."

This much of Stanley's life is indisputable. Both authors add considerably more. Both repeat and enlarge on the discovery of Richard Hall, a British journalist who in 1974 found proof that Stanley had embroidered most of his accounts of his boyhood and suppressed many facts of his young manhood. Bierman calls him "paranoid," an "emotional cripple," with repressed homosexual tendencies, the victim of "an extreme form of sexual sadism," and "a liar and a fantasist on a scale to rival his unquestionably heroic achievements as an explorer."

McLynn speaks of his "deeply ambivalent psyche," his "schizoid personality," his "tormented fear of women and his neurotic compulsion towards lies and fantasies." He also speaks of Stanley's "callous brutality" to Africans and accuses him of taking "lustful pleasure" in beating them.

Bierman attempts a complete biography. McLynn ends his account with Stanley's second expedition. Neither is a psychiatrist. However, they are both splendid writers, and if the reader takes the psychological verbiage well salted, both books make engrossing reading, for flaws and all. Stanley was a fascinating man.

Byron Farwell's most recent books are "Armies of the Raj" and "Bell's Bluff: A Small Battle and Its Long Shadow." He wrote this for The Washington Post.

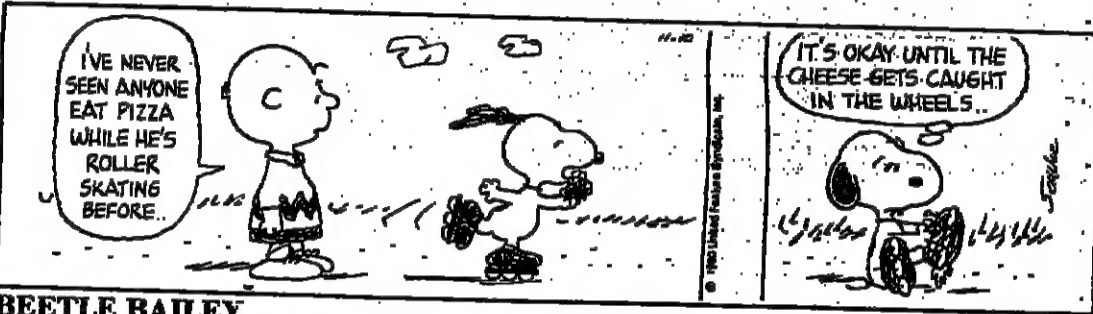
BRIDGE

By Alan Truscott

A MODERN trend among those who like to live dangerously is the either-or bid. It announces possession of one of two types of hand. But the two types are diametrically opposite. A popular defense to the strong-club opening provides a bid to show two suits of the same color, or two of the same rank, or two of the same shape—clubs and hearts, or diamonds and spades. Another variety comes into play over an opposing one-no-trump bid. North's bid in the diagrammed deal, from the New Jersey Mixed pairs, showed either long diamonds or short diamonds. Partner is expected to work it out and can usually do so. In the diagrammed deal he correctly converted to two hearts, but players have been known to miss a good fit or land in a very bad one. West led the spade king and shifted to the club king. South won with the ace and returned the suit. West won, cashed the spade ace, and exited with a spade. South won in dummy, cashed the diamond ace, and went backwards and forwards in the minor suits: a club ruff, the diamond king, a diamond ruff and a club ruff. South knew, from a count of West's high-card points, that the heart ace was on his right. He therefore led the heart king, and was sure to score dummy's jack as his eighth trick. At other tables, East-West normally played in one no-trump, making for a score of 90 or going one down for a score of minus 100. A score of 110 rated tops for North-South. But because a rover movement was in use, and the rover pair who should have come into play at the table arrived five minutes late, the result was canceled.

NORTH		SOUTH (D)	
♠	QJ53	♠	763
♥	7576	♥	A102
♦	10875	♦	763
♣	763	♣	763
WEST		EAST	
♠	AK4	♠	AK4
♥	Q98	♥	Q98
♦	Q98	♦	Q98
♣	KQJ2	♣	KQJ2
East and West were vulnerable.		South led the spade king.	

PEANUTS



BEETLE BAILEY



